Bay Brokers Limited

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Volume 29

Investment Strategies

DECEMBER 2018

Following the dream run of 2017, financial markets have been far more challenging for investors in 2018. FNZC retain their view that the recent fall in global equity markets is a correction and not the start of a "bear" market where equity prices fall substantially (defined as more than 20%). However, they acknowledge that risks are accumulating and that various indicators are suggesting that we are relatively late in the investment cycle. While equity volatility is likely to remain for the foreseeable future they still don't believe that it is time to throw in the towel and significantly reduce exposure to equities.

New Zealand's economy could be entering a "danger zone", economists warn, where a weak start to the year fed falling business confidence. Our economy could well lose momentum as we head towards 2019. The probability of a recession occurring in the next year remains very low. However, there is little doubt that a recession appears closer than it was a year ago. That said, our NZ Share Market is pretty well insulated, with such strong institutional ownership of many of our company shares. Investors like our Kiwisaver Funds are long term investors, and unlikely to get easily spooked by short term volatility.

Based on various recession indicators, the next US recession seems most likely to occur in the second half of 2020, which suggests that the US equity market should peak a year before, in late 2019. Hence my cautious, but neutral stance towards investing in equities.

STOP PRESS: GDP rose 0.3% in the September 2018 quarter, down from 1.0% in the previous quarter. The latest growth is the lowest quarterly growth rate since December 2013.

RRP $5.00

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STATISTICS NZ DATA

Estimated population at 30 Sept 2018:	4,907,200
Births June 2018 year:	60,393
Deaths June 2018 year:	33,567
Net migration Oct 2018 year (↓12.6%):	61,751
(Migration In 128,123 Migration Out 66,372)	
Employment	
Total employed June 2018 quarter:	2,631,000
Unemployment rate Sept 2018 quarter:	3.9%
Net Wealth (NZ Median) (↑5.6% pa over 3 years)	$340,000
Net Wealth (Top 20%) (↑9.7% pa over last 3 years)	$1.75m
Ave weekly earnings June 2018 quarter:	$1,124
⇒ Full time men (↑ $32 / 2.7%)	$1,208
⇒ Full time women (↑ $18 / 1.8%)	$1,106
Average ordinary time hourly earnings:	$31.34
The employment rate Sept 2018 quarter	68.3%
Annual inflation September 2018 year:	1.9%
Petrol Price September 2018 year:	19.0%
The size of the NZ Economy 30 Sept 2018:	**$290 bn**
GDP per capita year ended Sept 2018:	**$57,218**
GDP Growth per capita Sept 2018 year:	**1.0%**
GDP Growth (volume) Sept 2018 year:	**2.9%**
Tauranga City GDP Growth Sept 2018 year:	**3.6%**
Visitor arrivals Annual August 2018 (↑ 3.6%)	**3,803,196**

OUR POLITICAL CLIMATE

ARDERN/PETERS DIPLOMACY A SHAMBLES

Cindy thought it was smart to snub Trump after coming into office. Well it has backfired on her – surprise, surprise! And combine this with Foreign Minister Peters anti-Chinese sentiment, and New Zealand is out in the cold with two of our largest trading partners.

Yes, she has made friends with her left-wing socialist mates - Trudeau in Canada and Macron in France – but New Zealand has always previously played an astute game of managing these key relationships with skill.

It is interesting that Ardern now refuses to discuss the relationship with China with the Herald, despite repeated requests since May. Her planned trip to China has also been deferred. Xi Jinping has snubbed her, and with Winston as your Deputy, it is understandable. We were meant to be refreshing our Free Trade Agreement with China, to at least match that negotiated, since ours, with Australia. Yeah Right – little hope of that any time soon.

China has a lot to be angry at us about. In the last year, our Defence Force has published a White Paper using extremely strong language aimed at China, started throwing money around the Pacific in an obvious bid to curb Chinese influence, and spent $2.4 billion buying American war planes that just happen to be really good at spotting Chinese submarines from the air.

The US (and Trump, in particular) is far from perfect, but it has the longest continuous liberal democracy in history. We are a minute trading nation that depends on strong trade relationships for our welfare, and to think we can snub both superpowers is plain naive.

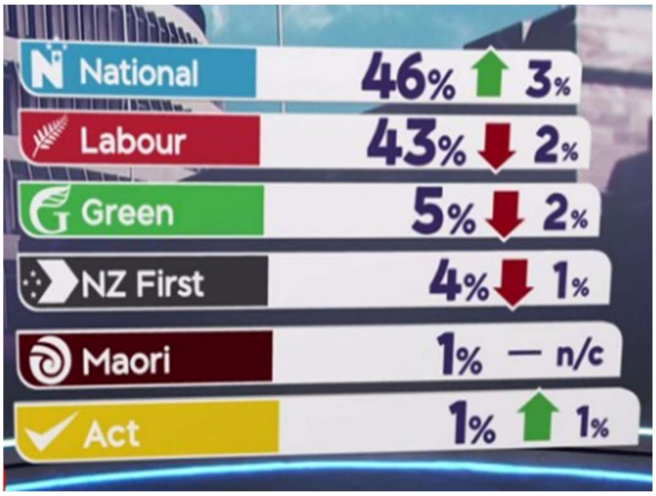
BINDING REFERENDUM ON CANNABIS

Justice Minister Andrew Little announced that NZ will hold a binding referendum on whether to make cannabis legal for personal use at the 2020 general election.

Holding a cannabis referendum at the 2020 election will help to ensure that young people get out to vote. This should strongly benefit both Labour and the Greens, both of whom rely strongly on the youth vote (youth historically have extremely low turnout numbers).

The referendum on cannabis for personal use was a requirement of Green Party support in their confidence and supply agreement with Labour.

LATEST TV ONE COLMAR BRUNTON POLL



So much for TV3's Breakfast host, Duncan Garner's 'fake news' that National was wallowing in the mid-30s in the Polls. I believe that Duncan's 'insider' is none other than Whale Oil blogger, Cameron Slater – who is Jamie-Lee Ross' bi-polar mate and mentor. TV3's Duncan Garner has proved that he is a highly biased commentator, who loves the sensational, and he doesn't let the facts get in the way. Having said that, it is interesting that Garner named Simon Bridges as his top pick for politicians in 2018!

It comes after the National Party dropped to 43% support in October's poll during the tumultuous Jami-Lee Ross saga. However, the most recent results show the party have gained support by 3%. Labour have seen their support slide by 2%, dropping to a 43% support rate (3 points behind National).

The poll did not provide good news for the minor parties, with the Green Party decreasing to 5%, down from 7%. NZ First fell to 4% (below the 5% threshold), and the ACT Party found just 1% support.

Unfortunately, National still couldn't govern alone.

PETERS CAVES….

NZ TO SUPPORT UN MIGRATION COMPACT

New Zealand will sign up to the UN's migration compact, despite calls from the National Party to follow other countries like Australia and the United States in abandoning the international pact.

Foreign Minister Winston Peters has caved in to Labour and the Greens, saying "*New Zealand had decided to support the UN Global Compact for Safe, Orderly and Regular Migration,*" after being satisfied fears about the document were unfounded.

Meanwhile, National pre-emptively pledged to pull out of the deal, if it were to come to power in 2020. National's foreign affairs spokesman Todd McClay said "*Migration was a matter for each sovereign state, and we do not believe that migration policy should be governed through a UN framework*".

HAMILTON TO AUCKLAND RAIL COMMUTE

A passenger service between Auckland and Hamilton will require a reported $57.7 million in ratepayer and taxpayer subsidies. the New Zealand Taxpayers' Union calculate that this will cost at least $185 per passenger per trip in subsidy. This is plain madness.

Taxpayers Union's Executive Director Jordan Williams stated "*Even if you assume that every carriage is completely full, twice a day, for three years, the three-year $57.7 million subsidy is still an insane $185 per person per trip*." This proposed line doesn't even run to Auckland City – it stops at Papakura. Getting into the CBD would take another hour again. This means that each commuter will receive (annually) a $90,000 subsidy from taxpayers.

HUGE NEW TAXES COMING YOUR WAY

The Tax Working Group has reached a consensus on a capital gains tax, but it is not supported by all members of the working group, chairman Sir Michael Cullen has revealed. That is not a consensus. That is simply a majority vote. The media should not allow it to be described as a consensus without challenge.

Cullen said the working group had discussed an alternative option of an inheritance tax, despite an instruction from Finance Minister Grant Robertson that should be off the table. "*We are not supposed to be looking at inheritance taxes but a majority of my colleagues on the Tax Working Group appear to have found a partial way around that*," he said.

Unbelievable. He boasts about managing to find a way to bring in an inheritance (or death) tax despite being told not to.

Of course, the Capital Gains Tax is likely to be a death tax and a tax on the family home. The family home isn't taxed, until you die. Then it will get taxed. Therefore, your parents' family home will get taxed on any capital gain it has had (even if that gain is merely keeping pace with inflation) when they die (unless you move into it).

This Tax, Tax, Tax policy will be the undoing of this government – all things being equal…

SROUBEK CONNECTION INCREASINGLY DODGY

Newshub reports that the National Party has released parts of a recording of convicted drug smuggler Karel Sroubek which it says proves he threatened his estranged wife and forced her to write a letter supporting his residency bid.

In the phone call between Sroubek and his wife, Sroubek appears audibly frustrated that she has submitted a character reference to his lawyer without showing him first. "*Seriously do you want me to do something stupid? Do you want me to send somebody to talk to you? Because you are doing crazy stuff*," Sroubek says on the recording.

Wow - Who would have thought a convicted drug dealer and gang associate would also threaten people! Time for genuine transparency, Jacinda.

HOW LONG SHOULD IT TAKE TO DO A 'PETROL MARKET STUDY'?

Any investigation into whether petrol consumers are being fleeced is unlikely to be completed before the end of next year, according to the Commerce Commission.

An amendment of the Commerce Act in late October gave the Commerce Commission the power to investigate competition in any particular market and it has been funded $1.5 million a year to carry out the work.

Prime Minister Ardern said the legislation had been prioritised, given concerns about the fuel market and her belief that motorists were being "fleeced."

Commerce Commission chair Mark Berry told Parliament's economic development, science and innovation select committee that market studies are "really complex", with some of those undertaken in Australia recently extending to 18 months.

I question how hard this really is, and are these quango consultants just 'pigs in the trough?'

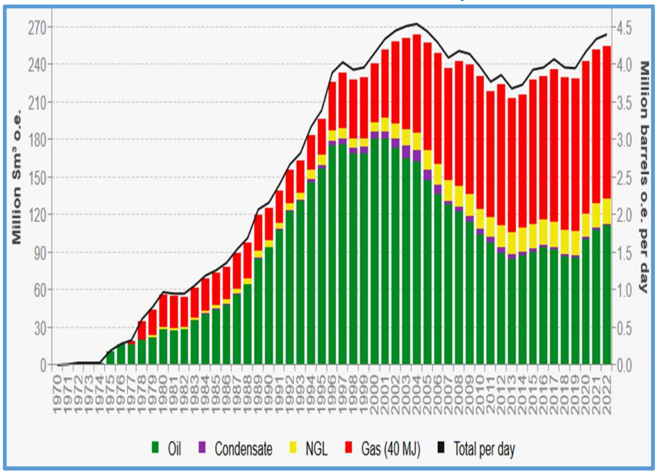
SHOULD WE SUBSIDISE ELECTRIC VEHICLES

Some might say that we should take a lead from Norway and heavily subsidise the purchase and operating of EVs. This would be fine, but this current three-headed monster of a government has seen fit to banish future revenues from oil and gas exploration.

Norway is now an incredibly wealthy country, because it has tapped its fossil fuels exploration, building a US$1 trillion sovereign wealth fund. This fund was created in

1990 to invest surplus revenues of the Norwegian petroleum sector. Today this fund equates to US$195,000 for every Norwegian citizen.

NORWAY'S OIL & GAS PRODUCTION, 1970 TO 2022



In 2017, Norway produced 236.1 million Sm³ of marketable oil equivalents (Sm³ o.e.). Gas production rose in 2017, with total sales of 124.2 billion Sm³. Natural gas accounted for just above 50% of total production by oil equivalents.

New Zealand has not only sold off its 'golden geese', but this stupid government has now killed off any hope of building our own fund, but committing to close down all oil & gas exploration!

Yes – helping to convert our fleet to electric and hybrid fuel sounds great in theory. The problem is that they are planning on paying for this by taxing fossil fuel vehicles. Great – except that this will hurt lower income earners the most. It is only the well-off who can afford an EV.

DUNNE: LET'S GET RID OF MMP ALTOGETHER

SOURCE: NEWSPRO, 6th December

The Government's proposed electoral reforms need to be rejected outright in favour of moving to a single transferable vote system, whereby every MP is directly elected by a constituency and is accountable to that constituency, says Peter Dunne.

When politicians start to talk about making changes to the electoral system, it is time to be wary. They do not do such things unless there is something in it for them.

So, when Justice Minister Andrew Little starts musing about a referendum to "tidy up" one or two "quirks" of the MMP system, rest assured that he is not doing so out of genuine concern for its credibility and wellbeing, but rather for the protection of the electoral wellbeing of the Labour Party.

Over the last thirty years since the Royal Commission recommended the move to MMP, both the National and Labour Parties have done their best to subvert it.

First, they rejected the Royal Commission's recommendations of winning 4 percent of the party vote or one electorate seat as the thresholds for representation, in favour of a 5 percent party vote or one electorate seat threshold, thus immediately making it more difficult for smaller parties to gain representation. And then, during the public referendum process in the early 1990s, the leaders of both parties warned the public of the "dangers" of moving to MMP, thus assuring its adoption in the 1993 binding referendum.

CENSUS 2018 – WHAT A DISASTER

Instigating an online census in 2018 has proved to be an absolute disaster. What a huge fail by Stats NZ, an agency that has previously been known as a top performer. The census is their most important data collection, and they have missed out on 450,000 New Zealanders.

Normally census data is released within six months after the census, but Stats NZ has now stated that we have to wait 12 months to even be told a date on which they will start releasing data. That release date could well be another six or nine months after that.

Both bureaucrats and businesses rely on census data for effective decision making, and I believe that this process was so compromised that we will need to do another census as soon as possible. Even the electoral system has been compromised, and we should abandon boundary changes for the 2020 election. But we need to make this decision NOW.

The online process just doesn't work for such a vital data collection, and the questions asked were not robust either. Come on New Zealand – accept the flawed outcome, and let's just instigate another one in 2020.

SH2 MISSES OUT AGAIN

On 14th December, the Government has announced $1.4bn to make dangerous roads safer over three years to save lives and prevent serious injuries. The Safe Network Programme will make 870km of high volume, high-risk State Highways safer by 2021 with improvements like median and side barriers, rumble strips, and shoulder widening, according to Transport Minister Phil Twyford and Associate Transport Minister Julie Anne Genter. The NZ Transport Agency will speed up the time it takes to deliver safety projects by fast-tracking the approval process for standard, proven safety improvements.

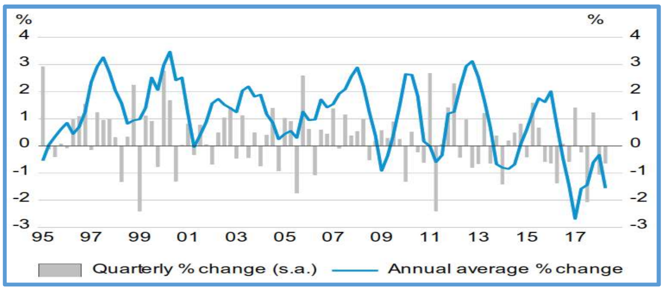
"*Regions with the highest rates of deaths and serious injuries - Waikato, Auckland and Canterbury - will be prioritised in the first year of the programme. It will* *then be rolled out to other regions including the Bay of Plenty,"* Genter said.

This is just another kick in the guts to the Western Bay of Plenty and Tauranga (a National Party stronghold). The loony Greens are influencing Labour, and the long arm of a vindictive Winston Peters won't help Tauranga. He puts pork politics ahead of lives - what a disgrace.

PRODUCTIVITY KEY IN WAGE NEGOTIATIONS

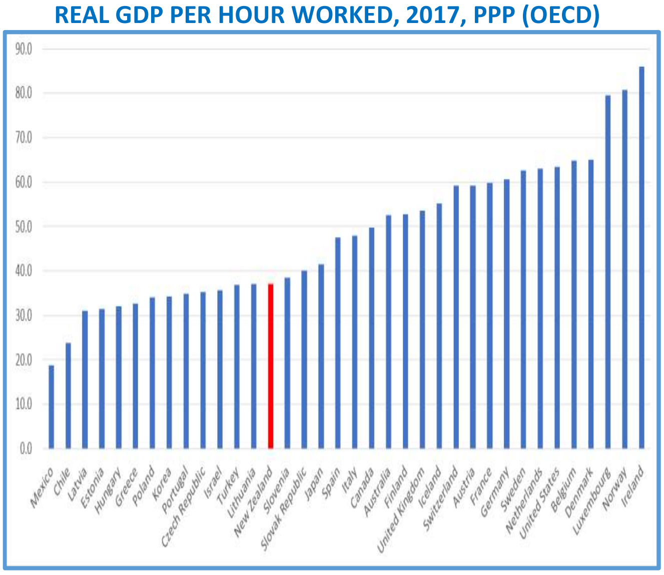
Our Labour-led Government is in big trouble with its industrial relations. We are back to 1970's style strike action and union muscle tactics. The trouble is that higher minimum wages is an aspiration for all New Zealanders – but it will only be possible if we get a corresponding lift in productivity to pay for it. Both big business and SMEs have lost confidence in our current government, because of the draconian industrial relations being driven by central government. We have to do better…

LABOUR PRODUCTIVITY
GDP DIVIDED BY HOURS WORKED



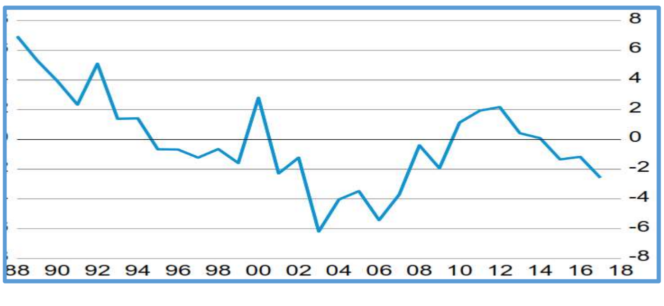
SOURCE: NZ Treasury, Stats NZ

REAL GDP PER HOUR WORKED, 2017, PPP (OECD)



We also have to reverse the downward trend in a deteriorating 'net household savings' as a percentage of our annual income.

NET HOLSEHOLD SAVINGS



GREEN INVESTMENT FUND (NZGIF)

The Government has launched a $100m Green Investment Fund that aims to finance ventures that will reduce New Zealand's greenhouse gas emissions. The start-up capital is not insignificant but pales in comparison to the Provincial Growth Fund's $3 billion.

NZGIF is distinct from the PGF in that instead of dispensing grants, it hopes to generate a return. The $100m capital kick start will be recycled into several future investments, all going to plan.

It will also receive $25m in operating funding from the Government over the next five years, which will be repaid to central government.

It will target returns of two percent above the benchmark five-year government bond rate.

VENEZUELA IN DIRE STRAITS

Venezuela's consumer prices rose 834,000 percent in the 12 months through October, according to a report published by the opposition-controlled Congress. The IMF expects hyperinflation to reach 10 million percent in 2019. The number of private businesses operating in Venezuela has plummeted from 650,000 in 1998 to only 140,000 in September.

Venezuela has $150 billion (163% of GDP) in debt. They are late on $6-billion worth of debt interest payments.

The estimate of the number of Venezuelans who have fled the country has passed 3 million.

Oil production is down from 2.5 million barrels a day to below 1.0 million. Oil is 95% of its export revenues. Collapsing to that level will mean many core supporters will not be paid. It seems that if Maduro cannot pay off thousands of key generals and military officers then he will finally lose control.

There are lessons here for New Zealand politicians, who lean too far to the left.

ABORIGINAL VERSUS MAORI RIGHTS

Australia's Aboriginals were butchered or displaced, and later their children were stolen and placed in foster care under a cultural assimilation programme that lasted for six decades. They got the vote only in 1962. After a referendum five years later, they were included in the census. In NZ it was somewhat better. Maori got the vote in 1867, 95 years ahead of Aboriginals in Australia.

Though only 3% of the population, Aboriginals fill a quarter of Australia's prison cells. That is an imprisonment rate nine times the overall imprisonment rate. It is twice the imprisonment rate in NZ for Maori New Zealanders. Aboriginal young men have one of the highest suicide rates in the world. Their children are almost ten times more likely to be in state care.

Aboriginals hold title over 31% of Australia, with rights to hunt and fish, and to negotiate over economic developments such as mining. Many Aboriginals therefore look with envy across the Tasman Sea, to the Maori. Maori remain at the bottom of New Zealand's pile, but still live longer and healthier lives than Aboriginals. 15% of New Zealanders identify as Maori. Their median weekly income of NZ$900 is almost double that of their Aboriginal counterparts. Although more than half of New Zealand's inmates are Maori, they are less likely to go to prison than Aboriginals.

WHY IS HUAWEI IMPORTANT?

Huawei is a Chinese company that manufactures telecommunications equipment used in many telecommunications networks globally. The combination of Huawei's founder having a military background and the existence of a Chinese law which requires that Chinese companies support, cooperate with and collaborate in China's intelligence work has raised fears regarding the use of Huawei manufactured equipment in telecommunications networks. This is because much of the equipment produced by Huawei is designed to sit at the heart of telecommunication's networks, which potentially gives Huawei the ability to conduct espionage or disrupt communications. While this is already a potential issue, the future impact is potentially greater as autonomous vehicles and internet-of-things (household appliances connected to each other via the internet) become a reality. As a result of these concerns New Zealand, Australia and the US have blocked Huawei equipment from being used in the next generation of mobile telephone networks (5G network). It seems likely that the other two 5 Eyes member countries, Canada and the UK will follow suit.

Huawei CFO arrested

On 1st December Huawei's CFO, Meng Wanzhou (daughter of the Huawei founder, Ren Zhengfei) was arrested in Canada, in relation to alleged Iran sanction violations. A Canadian court will decide whether she will be extradited to the US. This clearly ratchets up the tensions between the US and China. While the focus of these tensions is on the trade imbalance between the US and China and protecting intellectual property rights, we believe that the issue goes beyond this and reflects geo-political tensions between the two countries, as China tries to assert itself as the world's global power house, thereby displacing the US. President Trump also potentially sees it as an opportunity to boost his re-election chances.

The question on everyone's mind is how the arrest impacts the trade negotiations between the US and China over the next ninety days. Without a resolution that is satisfactory to the US it is likely that tariffs on US$200 billion of Chinese exports to the US will increase from 10% to 25%. On the positive side it has been reported that Gao Feng (a spokesperson from China's Commerce Ministry) said that China is confident in reaching an agreement with the US within the next ninety days. Furthermore, China has started by immediately reducing tariffs on US agricultural products, energy and automobiles. Despite this, details of what has been agreed between Xi Jingping and Donald Trump at the G20 meeting are unknown, which adds to the uncertainty. Furthermore, the number of demands made by the US previously are extensive.

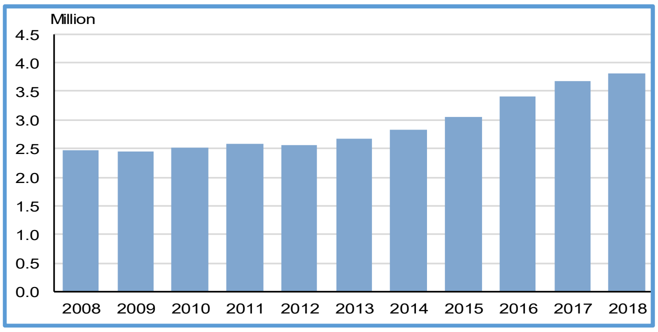
WHERE TO NEXT?

STEVEN JOYCE – Our former Finance Minister has been appointed by Australian Prime Minister Scott Morrison to lead its first national review of vocational education in more than 40 years.

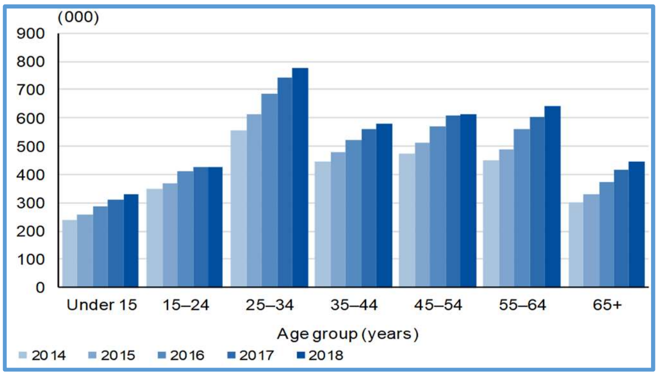
VISITOR ARIVALS BY COUNTRY YEAR ENED OCTOBER

Visitor numbers by country	2014	2018	Annual Average %△
Australia	1,243,936	1,484,400	4.8%
China	248,784	451,344	20.4%
United States	215,744	343,984	14.9%
United Kingdom	194,240	234,160	5.1%
Japan	79,248	101,280	7.0%
Germany	76,848	100,960	7.8%
Korea	53,648	89,616	16.8%
Canada	48,752	69,808	10.8%
India	36,144	68,784	22.6%
Singapore	45,248	61,040	8.7%
Hong Kong	30,192	59,408	24.2%
Malaysia	30,048	55,392	21.1%
France	29,856	44,352	12.1%
Taiwan	23,120	41,504	19.9%
Thailand	21,680	31,200	11.0%
Netherlands	21,664	30,432	10.1%
Fiji	24,416	30,304	6.0%
Philippines	11,504	28,288	36.5%
Indonesia	14,240	26,272	21.1%
Samoa	18,320	26,224	10.8%
French Polynesia	15,664	24,464	14.0%
Switzerland	17,648	22,656	7.1%
Argentina	4,624	22,368	95.9%
Tonga	14,512	20,912	11.0%
New Caledonia	17,216	20,880	5.3%
South Africa	15,936	20,832	7.7%
Brazil	12,272	19,536	14.8%
Sweden	12,592	15,952	6.7%
Spain	8,768	14,480	16.3%
Denmark	9,360	13,312	10.6%
Total	**2,817,426**	**3,821,658**	8.9%

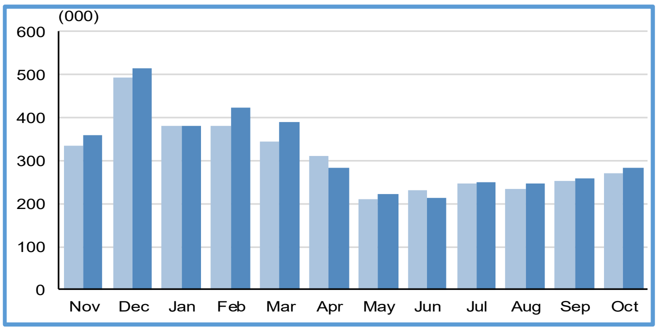
ANNUAL VISITOR ARIVALS YEAR ENED OCTOBER



AGE OF VISITORS YEAR ENDED OCTOBER



MONTHLY VISITOR ARRIVALS 2016/17 & 2017/18



JOHN KEY – INSIGHTS ON CHINA & USA

Former PM Sir John Key talked China, Donald Trump and the Prime Minister's Business Advisory Council at the recent Infinz conference.

Key: Trump has been cutting taxes in the US. He's been cutting regulation. What you don't see in the New Zealand media very much, is that there's a lot of people who don't necessarily like Donald Trump in the US but they voted for him. They will continue to vote for him and turn a blind eye to some stuff, because they like the other things that are happening.

How does New Zealand balance our dual track with the US and China?

Key: It's not new. I remember, at one point Barack Obama said to me: "How come you've got such a great relationship with us and the Chinese?" I said, "You've got some advantages from being big, and we've got some advantages from being small ..." But the reality is that our relationship with China is still a very economic relationship.

We've done lots of things together but it's largely been, I think, dominated by an economic focus. In the case of the US and our traditional allies — Australia particularly — it's a much different relationship.

They are the people that we culturally feel most at home with. We share such a massive history. Everything lines up much more closely there and my advice to the Government would be — whether you like it or not — both partners are important to us. I think if we turned our back on the Chinese, we'd find a lot more Irish and Dutch dairy products would flow into China and less would flow from New Zealand.

It might be a bit mercantile but I think that would be negative for the New Zealand economy, for dairy farmers, and for lots of New Zealand businesses — from tourism to education services — that benefit from us having a strong relationship with China. That doesn't mean that you don't raise human rights issues or other issues that are important.

You do, but I think you've got to have a respectful relationship with both.

What are your thoughts on the Prime Minister's Business Advisory Council?

Key: If the role of the advisory board is to provide honest, direct feedback to the Government — and the Government is prepared to listen to that — then I think it is really valuable. I was a right-wing Prime Minister and I met with the Council of Trade Unions and the Engineering, Printing and Manufacturing Union — none of which would have ever supported me. But that was fine, it doesn't mean you can't have lines of communications.

The one thing I learned when I was Prime Minister is that while you think the Government has power, it has nothing compared to the power that the private sector has.

TAURANGA & WESTERN BAY OF PLENTY

SOURCE: Priority One, November Newsletter

Thank you Priority One for your excellent data on the economic and social drivers for our city and the Western Bay.

TRAFFIC FLOWS

Traffic flows across New Zealand, in the September 2018 year, rose 3.9% from the previous year. Traffic flows in the North Island are growing most rapidly in Taranaki, Bay of Plenty, Wellington and Northland. In the South Island growth is strongest in Marlborough, while Otago and Canterbury are also growing above the national average.

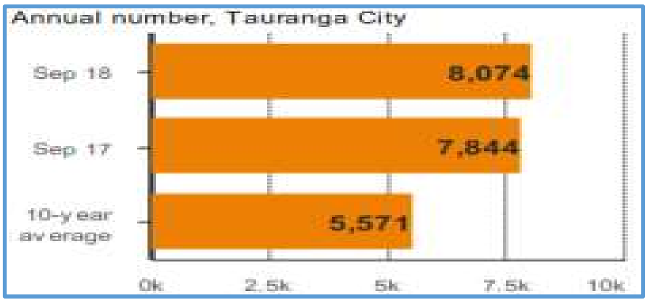
ANNUAL CHANGE IN TRAFFIC FLOWS

CAR REGISTRATIONS

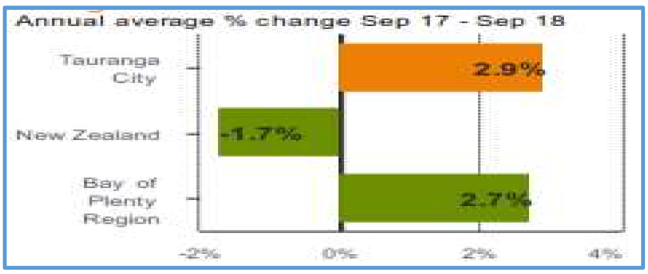
The number of cars registered in Tauranga City increased by 2.9% in the year to September 2018 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales decreased by -1.7%. For Tauranga City, this is an increase of 45% as compared to their 10-year average. It is no wonder that we have rising traffic congestion!

CAR REGISTRATIONS

CAR REGISTRATIONS



CAR REGISTRATIONS

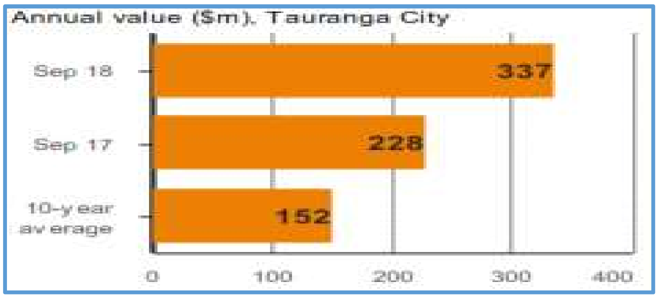


NON-RESIDENTIAL CONSENTS

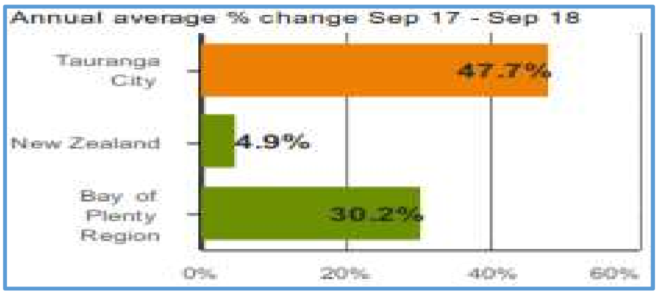
The value of non-residential building consents across New Zealand in the September 2018 quarter was 8.6% below its level from a year earlier, holding growth over the 12 months to September to just 4.9%pa. Tauranga City has been a stellar outperformer, with 48% growth in the last 12 months.

TAURANGA CITY – NON-RESIDENTIAL CONSENTS

VALUE OF NON-RESIDENTIAL CONSENTS



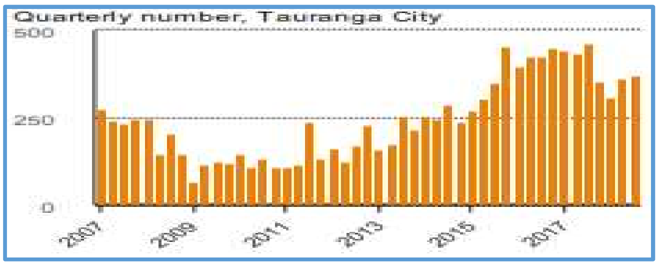
GROWTH IN NUMBER OF NON-RESIDENTIAL CONSENTS



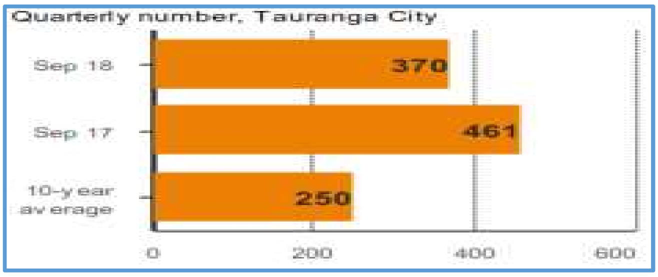
NEW DWELLING CONSENTS

Growth in new dwelling consents slowed across New Zealand during the middle of 2018 and expect consent growth to slow further over the next few quarters. Slowing house price inflation and signs of an oversupply in some regions set to limit new residential construction. Further growth in activity in Auckland will be limited by constraints across a range of factors, including labour, land, finance, and infrastructure. Nevertheless, the pre-existing undersupply of housing in Auckland will ensure consent numbers in the region hold at a high level, thereby limiting the total fall in nationwide activity.

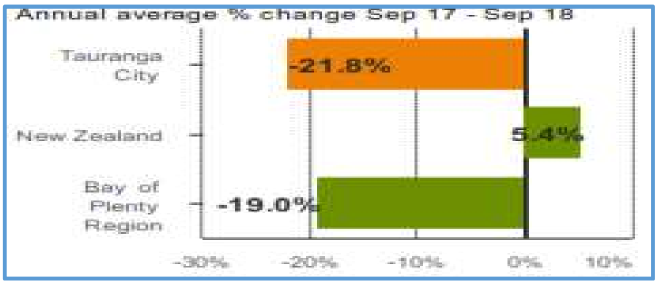
TAURANGA CITY – RESIDENTIAL CONSENTS



VALUE OF RESIDENTIAL CONSENTS



GROWTH IN NUMBER OF NEW DWELLING CONSENTS



TOURISM SPENDING

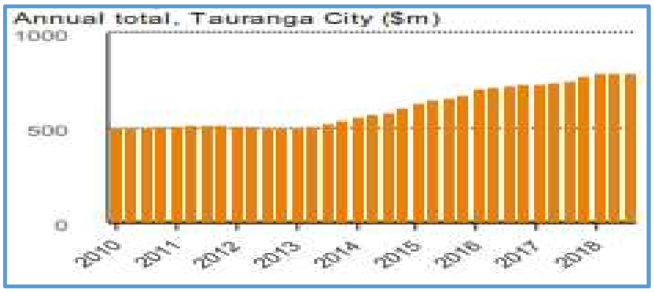
Total tourism expenditure in Tauranga City increased by 5.7% in the year to September 2018, compared with an increase of 8.2% across New Zealand. Total tourism expenditure was approximately $795m in Tauranga City during the year to September 2018, which was only up from $752m a year ago.

This is an area that Tauranga City (and the Western Bay) needs to be focusing on. We are getting exponential growth in cruise liners, but we are laggards in the overall tourism sector.

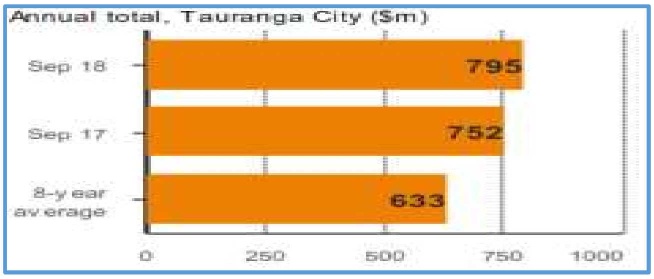
National overview

Visitor spending in the September year totalled $29.1bn, up from $26.9bn a year earlier; with growth split by both international and domestic visitors. Domestic visitor spending was the key contributor to growth, up $1.2bn to $17.3bn, while international visitor spending rose $1.0bn to $11.8bn.

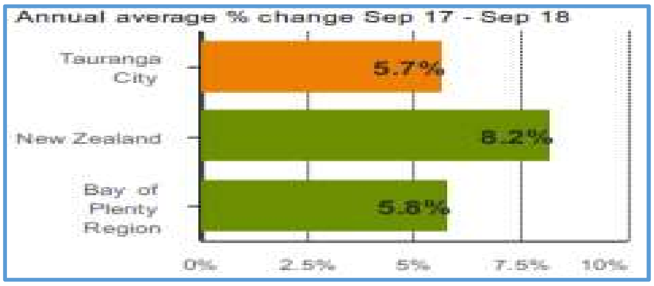
TOURISM REVENUE



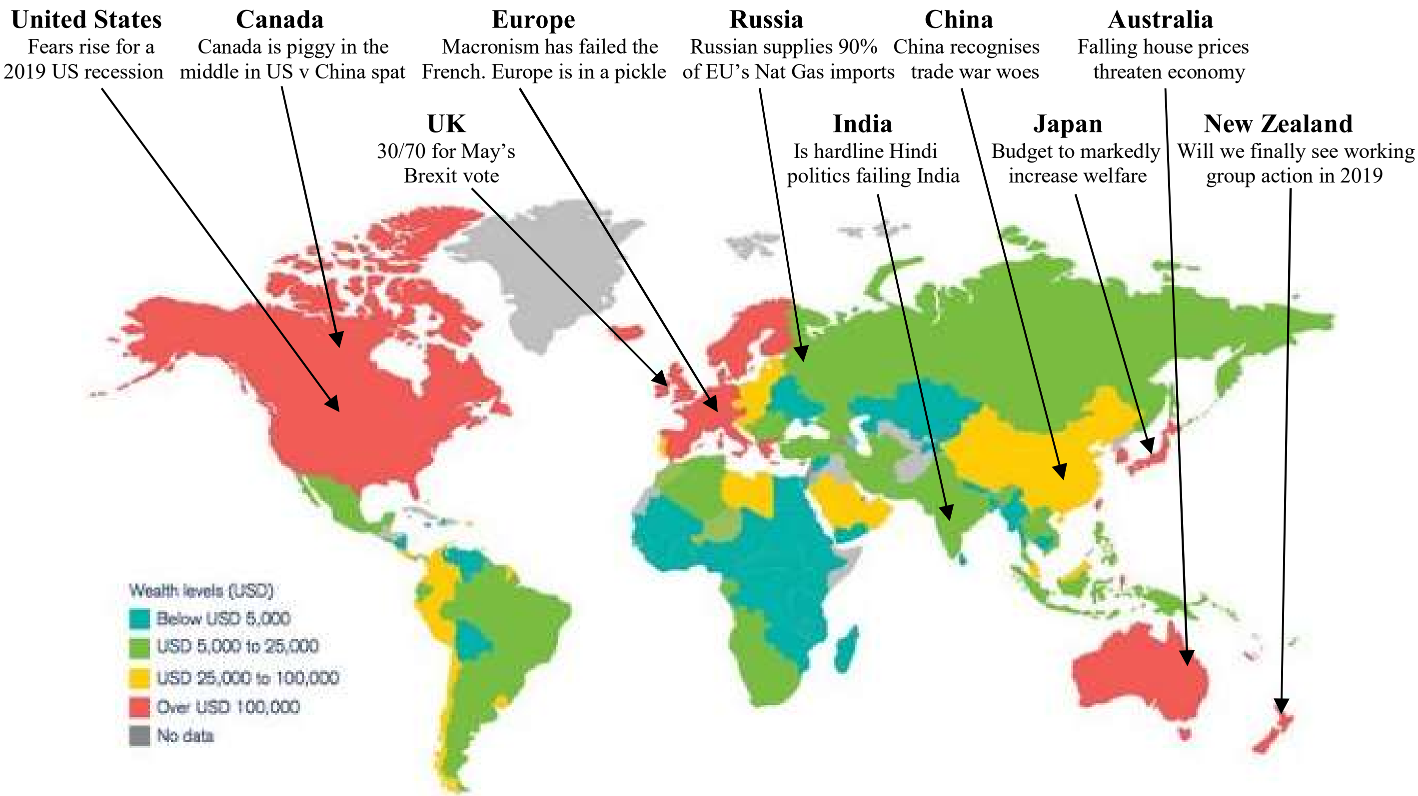
TOURISM REVENUE



TOURISM REVENUE



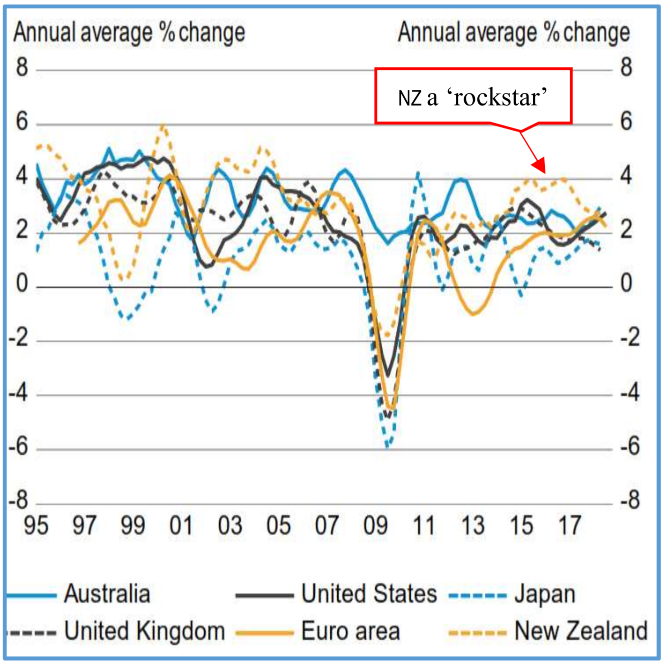
THE WORLD AT A GLANCE – including World wealth levels 2017



THE GLOBAL ECONOMIC OUTLOOK

Global economic growth is now reaching a peak, with conditions in the US and other major economies expected to cool over the next few years. However, given the current momentum in US activity, expect the Federal Reserve to hike rates through 2019, the effects of which will be felt widely.

REAL GDP GROWTH



SOURCE: NZ Treasury, Stats NZ

Under the Key/English Government's New Zealand replaced Australia as a 'Rockstar' economy. Under the Ardern/Peters Government we have slipped back dramatically, while the US (under Trump) has surged strongly.

Only a few months ago, the world's fortunes appeared increasingly robust. For the first time since the wealth-destroying agony of the global financial crisis, every major economy was growing in unison. Not so now.

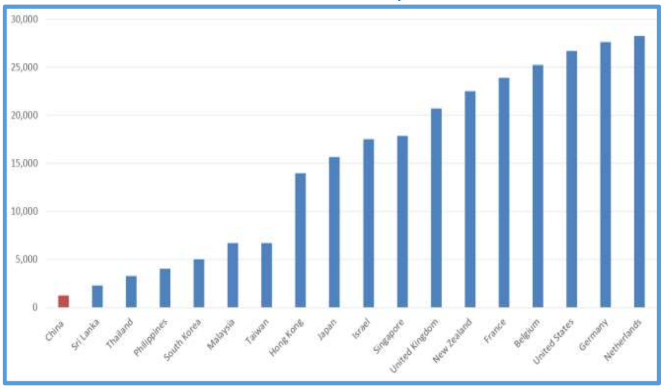
The global economy is now palpably weakening, even as most countries are still grappling with the damage from that last downturn. Many nations are mired in stagnation or sliding that way. Oil prices are falling and factory orders are diminishing, reflecting slackening demand for goods. Companies are warning of disappointing profits, sending stock markets into a frenetic bout of selling that reinforces the slowdown.

Germany and Japan have both contracted in recent months. China is slowing more than experts anticipated. Even the United States, the world's largest economy, and oft-trumpeted standout performer, is expected to decelerate next year as the stimulative effects of President Trump's $1.5 trillion tax cut wear off, leaving huge public debts.

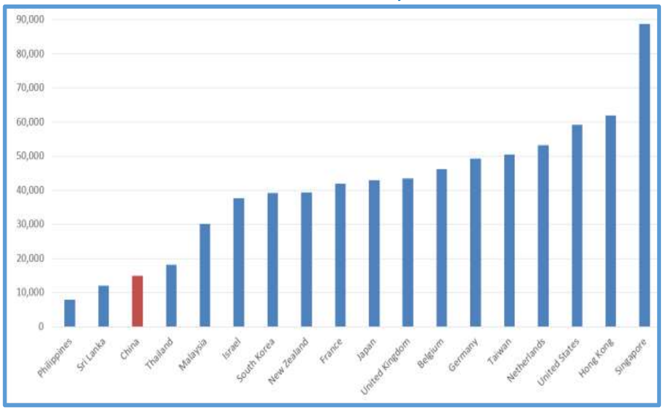
The reasons for this turn run from rising interest rates delivered by the Federal Reserve and other central banks to the unfolding trade war unleashed by the Trump administration. The likelihood that Britain's torturous exit from the European Union will damage trade across the English Channel has discouraged investment.

None of this amounts to a screaming emergency, or even a pronounced drop in commercial activity. The OECD recently concluded that the global economy would expand by 3.5% next year, down from 3.7% this year. Yet in declaring that "the global expansion has peaked," the OECD has effectively concluded that the current situation is as good as it gets before the next pause or downturn. And the problem is that inequality is going to become even more pronounced.

GDP PER CAPITA, 1976



GDP PER CAPITA, 2017



World G20 leaders have signed off on an agreement which reaffirms a basic commitment by the world's biggest economies to multilateral trade and a "rules-based international order", but bows to US demands for urgent reform of the World Trade Organisation.

New Zealand's Economic Outlook

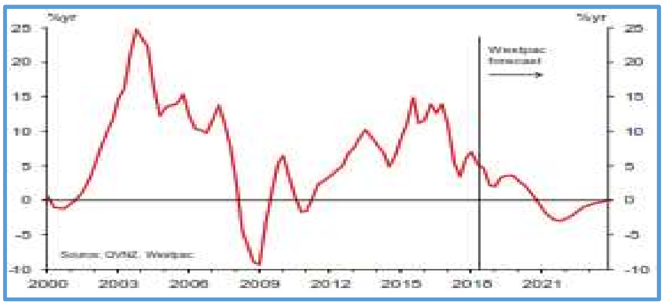
Gross domestic product (GDP) rose 0.3% in the September 2018 quarter, down from 1.0% in the previous quarter, Stats NZ said today (20th Dec). The latest growth is the lowest quarterly growth rate since December 2013.

The New Zealand economy has continued to grow steadily over the last year, defying the crisis of confidence that has been portrayed in business surveys. Recent GDP figures have been somewhat choppy – the details suggest that growth was temporarily soft in the first quarter of this year and temporarily strong in the second.

Outside of the decline in construction intentions, most indicators were little changed in the ANZ Bank's October Business Outlook survey. It's clear that business sentiment is not a tailwind for the economy at present, but we remain optimistic that the boost being provided by a strong labour market, still-high commodity prices, a fiscal boost and now a significantly lower NZD will keep things ticking along.

Westpac expects a more positive outlook for near-term growth, reflecting a number of factors. Firstly, they have raised their forecast of house price growth, which will help to support consumer spending. They see a range of headwinds for the housing market in place and on the horizon, saying investors are facing a battery of policy changes, including the extension of the 'bright-line' test, restrictions on foreign buyers, the removal of negative gearing, and the possibility of a broader capital gains tax. On top of this, banking regulation and practice are both tending towards tighter lending conditions than in the past. Westpac expects house price growth to remain modest over the coming years, turning to declines by 2020 as interest rates gradually rise.

NZ HOUSE PRICES



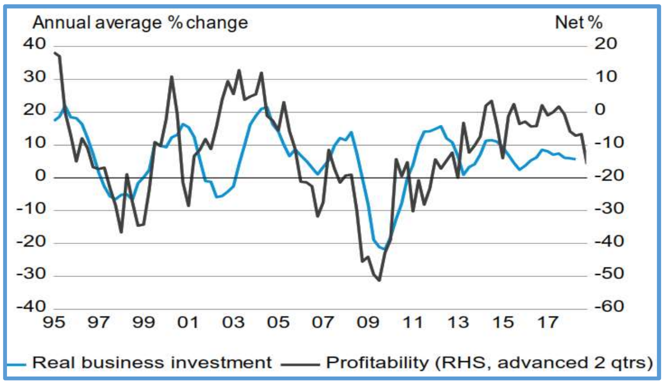
New Zealand Interest Rates

As widely expected, the Reserve Bank has further eased its loan-to-valuation restrictions on banks' mortgage lending and the central bank said the risks to the country's financial system have eased in the last six months.

In the medium term, the agricultural industry needs to respond to a variety of climate change-related challenges and that will likely require investment. Domestic risks have eased but global financial vulnerability has increased, the Reserve Bank said, noting debt in the agricultural sector, particularly for dairy farms, remains high "implying ongoing financial vulnerability."

In its latest financial stability report, the Bank stated that both mortgage credit growth and house price inflation have eased to more sustainable rates, reducing the riskiness of banks' new housing lending. Nevertheless, it noted that vulnerabilities persist and households in particular remain exposed to financial shocks due to their large mortgage debt burden.

INVESTMENT & BUSINESS PROFITABILITY



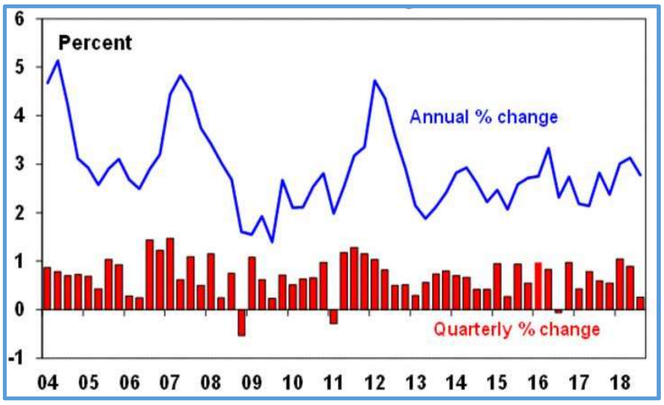
Source: NZ Treasury, Stats NZ

Australian Economic Outlook

2019 is likely to be an interesting year for the Australian economy. Some of the big drags of recent years are receding but housing is turning down, uncertainty is high around the global outlook and it's an election year, which will add to uncertainty. The main issue is around the housing downturn and what it means for the economy and investors. Australian growth has slowed again

September quarter GDP growth was just 0.3% quarter on quarter or 2.8% year on year and was well below expectations.

Australian Real GDP Growth Rate



There are several implications for Australian investors. First, bank deposit rates will remain poor. Second, with the RBA likely to cut rates and the Fed hiking (albeit slowing) the $A is likely to fall into the high $US0.60s. Third, Australian bonds are likely to outperform global bonds. Finally, while Australian shares are okay for income for NZ investors, global shares are likely to remain outperformers for capital growth. The housing downturn will weigh on retailers, retail property, banks and building material stocks.

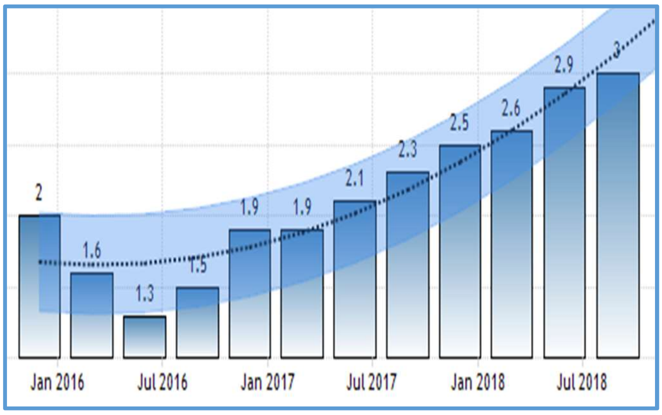
United States Economic Outlook

At a dinner meeting with Xi Jinping, following the G20 Summit in Argentina, Donald Trump has delayed for 90 days his threatened imposition of 25% tariffs on Chinese imports, to give time for negotiations on longstanding trade disputes between the two countries. Trump said their dinner "was an amazing and productive meeting with unlimited possibilities for both the United States and China". Both parties agree that they will endeavour to have this transaction completed within the next 90 days. If at the end of this period of time the parties are unable to reach an agreement, the 10% tariffs will be raised to 25%.

The Chinese government also welcomed the outcome of the talks. "The two presidents agreed that the two sides can and must get bilateral relations right," Wang Yi, China's lead diplomat, told reporters in Buenos Aires. "Discussion on economic and trade issues was very positive and constructive. The two heads of state reached consensus to halt the mutual increase of new tariffs."

Wang did not give as many details as the White House, but said: "China is willing to increase imports in accordance with the needs of its domestic market and the people's needs, including marketable products from the United States, to gradually ease the imbalance in two-way trade."

United States GDP Annual Growth Rate



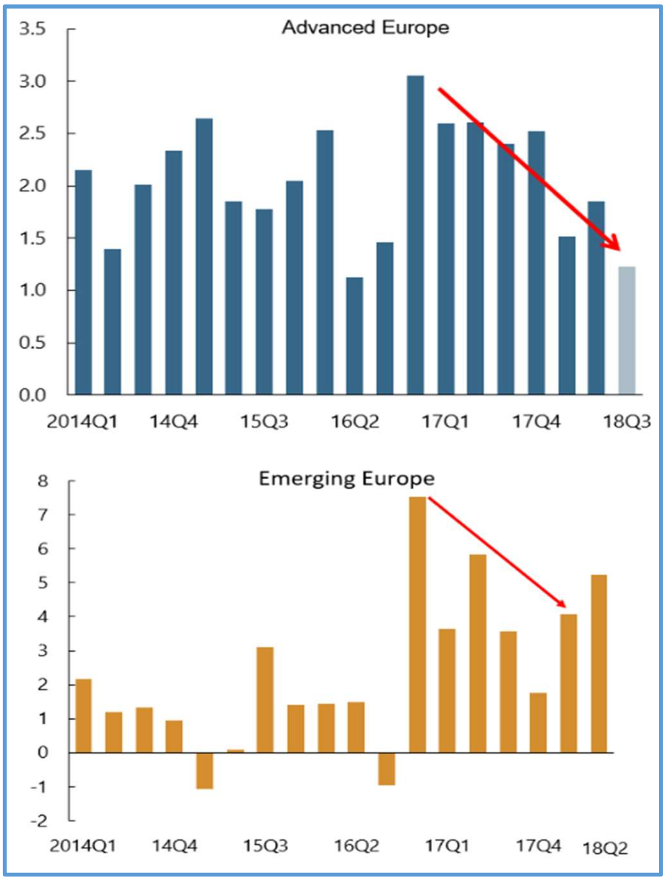
European Economic Outlook

Germany's 56-year old Annegret Kramp-Karrenbauer is the anointed leader to follow Angela Merkel as Chancellor of Germany. Being a stylistic soulmate with Merkel, Kramp-Karrenbauer would give Merkel the chance at a graceful exit from the chancellery. Merkel has said she intends to govern until her term is up in 2021, and the selection of Kramp-Karrenbauer would make that at least a possibility. The election of this new leader of the Christian Democrat Union Party is seen as extremely significant in German politics.

Across Europe, falling exports and a slowdown in spending and investment caused euro-area growth to lose more of its lustre in the third quarter, with recent numbers casting doubts over the economy's potential to rebound. Net trade was the biggest drag on the economy in the period, when growth was the weakest in almost five years. Since then, reports from the region's largest economies have pointed to continued struggles of German car manufacturers, a pickup in French industry and subdued consumer spending in Italy.

EUROPE'S REAL GDP GROWTH

SEASONALLY ADJUSTED



SOURCE: Havier Analytics, IMF

UNITED KINGDOM ECONOMIC OUTLOOK

The UK is scheduled to leave the EU at 11pm GMT on 29 March 2019. If a formal withdrawal treaty has not been signed by this point, all EU rules and regulations will instantly cease to apply to the UK. This means there will no remaining agreements between Britain and the EU on how to manage customs, trade, travel or citizenship rights. A no-deal Brexit also means that the transition period from March 2019 to December 2020 - designed to give businesses and organisations additional time to respond to the changes - would be off the table.

A no-deal Brexit would send the pound plunging and trigger a worse recession than the financial crisis, the Bank of England has warned. It said the UK economy could shrink by 8% in the immediate aftermath of leaving the EU if there was no transition period, creating the worst slump since the Second World War. The economic impact could be more severe than during the 2008 financial crisis, when GDP contracted by 6.25%. Unemployment would almost double, from the current rate of just over 4% to 7.5%, despite a fall in net migration of 100,000. Domestic property prices would fall by as much as 30%, while commercial property prices could plunge by 42%. The Bank of England also warned the pound could fall by as much as 25%, which would see it be worth less than the dollar.

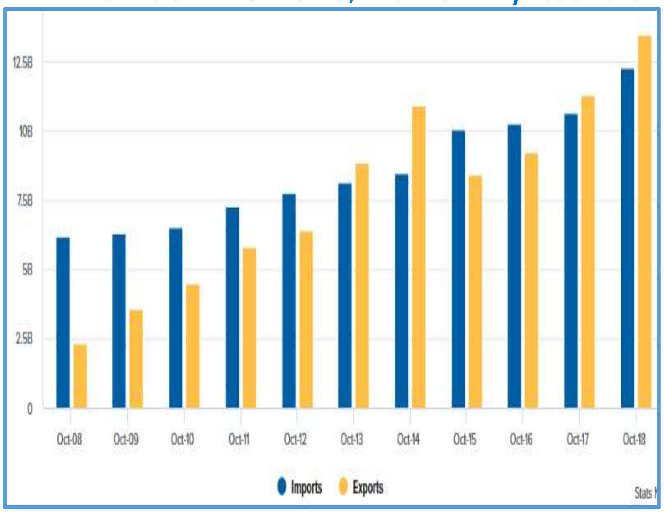
UNITED KINGDOM GDP QUARTERLY GROWTH RATE

CHINESE ECONOMIC OUTLOOK

China's Belt and Road Initiative (BRI) is not some generous aid programme but an attempt to gain decisive economic and ultimately military control over the recipients. Already it has encircled India and stretched China's influence over Central Asia, Southeast Asia and North Africa.

Papua New Guinea, Vanuatu, Fiji, Tonga, Samoa, Niue and the Cook Islands have all signed up, and China's arc of influence across the South Pacific is massive. A military presence will inevitably follow. If China offers BRI to help New Zealand build a new port and rail network linking Whangārei, Auckland, Hamilton and Tauranga, we need to be very cautious.

NZ IMPORTS & EXPORTS TO/FROM CHINA, 2008-2018



China's ghost cities

Fancy villas, high-rise apartment blocks, lakes, parks and sprawling road networks - Ghost cities in China have it all. Just one crucial element is missing — the people.

- There may be as many as 64 million empty apartments in China
- Many people buy the properties as an investment with no intention of ever moving in
- Ghost cities show growth is driven by debt in China

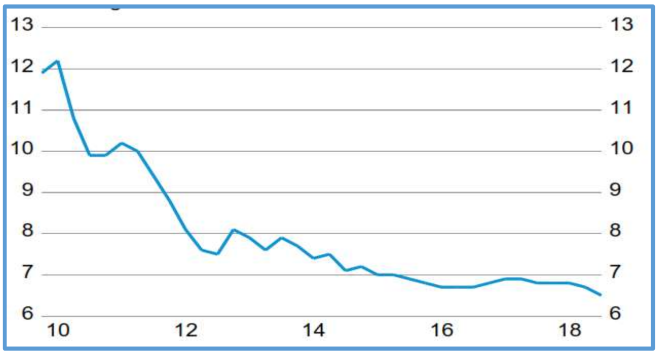
Built for a population that never came, about 50 of these surreal sites lay desolate across the country. But still the construction continues. These new cities are usually built in rural areas on the outskirts of existing cities. Designed for populations numbering in the hundreds of thousands, the mass construction projects can include towering high-rise condominiums, huge shopping centres, city squares, street lights and replicas of cities in Europe and elsewhere.

"*The phenomenon very much has been driven by the debt splurge that really kicked into gear after the global financial crisis*," said Dinny McMahon, author of China's Great Wall of Debt. "*Local governments around the country tried to juice and stimulate their economies by building more infrastructure and stimulating the property market.*" This seemingly wasteful construction is carried out by both state-owned firms and private companies.

GDP Growth has (in Asian terms) virtually stalled and, Beijing is really between a rock and a hard place because the economic growth is dependent on the accumulation of debt used to build stuff and it's no longer sustainable without potentially something going very, very wrong.

CHINA – REAL GDP GROWTH

ANNUAL PERCENTAGE CHANGE



SOURCE: China National Bureau of Statistics / NZ Treasury

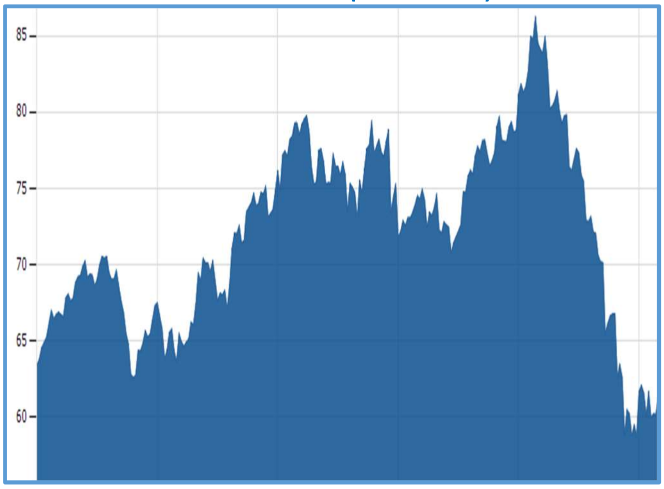
COMMODITIES

Oil prices spiked sharply higher as major oil producers, including the OPEC cartel, agreed to cut global oil production by 1.2m barrels a day to reduce oversupply.

The Organisation of the Petroleum Exporting Countries (OPEC), which includes the likes of Saudi Arabia and Iraq, said they would cut 800,000 barrels per day for six months from January, though some countries such as Iran, which is facing wide-ranging sanctions from the United States, have been given an exemption.

The balance will come from Russia and other non-OPEC countries. The United States, now the world's biggest producer, is not part of the deal. OPEC's reliance on non-members like Russia (2nd highest world producer) highlights the cartel's waning influence in oil markets, which it had dominated for decades. Saudi Arabia has slipped to third in the world for oil production.

OIL: BRENT CRUDE (1YEAR CHART)

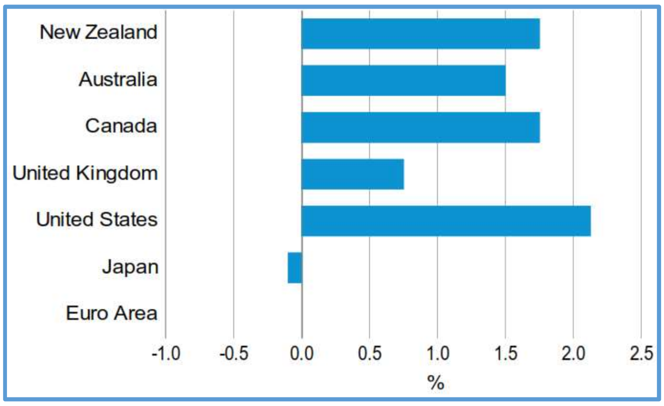


INTEREST RATES

New Zealand's Official Cash Rate of 1.75% has been stable for many months, and is now expected to stay there throughout 2019.

OFFICIAL INTEREST RATES

AS AT 31ST OCTOBER 2018



SOURCE: NZ Treasury, RBNZ

CURRENCY

NZD/AUD & NZD/USD CROSS RATE (1 YEAR)

SOURCE: Westpac

"Diligence is the mother of good luck"

Benjamin Franklin

AGRIBUSINESS – LOOKING FROM THE OUTSIDE IN

PRIMARY INDUSTRY EXPORT REVENUE 2004-2020F

NZ$m year to 30 June	2004	2008	2012	2016	2017	2018	2019F	2020F
Dairy	6,092	10,359	13,379	13,289	14,638	16,655	17,200	16,890
Meat & Wool	6,848	6,939	7,781	9,201	8,355	9,542	9,620	9,520
Forestry	3,294	3,295	4,332	5,140	5,482	6,382	6,660	6,590
Horticulture	2,212	2,896	3,560	5,002	5,165	5,376	6,020	6,030
Seafood	1,257	1,272	1,545	1,768	1,744	1,777	1,890	1,960
Arable	94	142	182	210	197	243	230	245
Other primary exports	1,114	1,525	1,773	2,612	2,638	2,706	2,680	2,800
Primary Industries Total	20,911	26,428	32,552	37,222	38,219	42,681	44,300	44,035
Per annum % Change		6.6%	5.8%	3.6%	2.7%	11.7%		

SOURCE: Ministry of Primary Industries

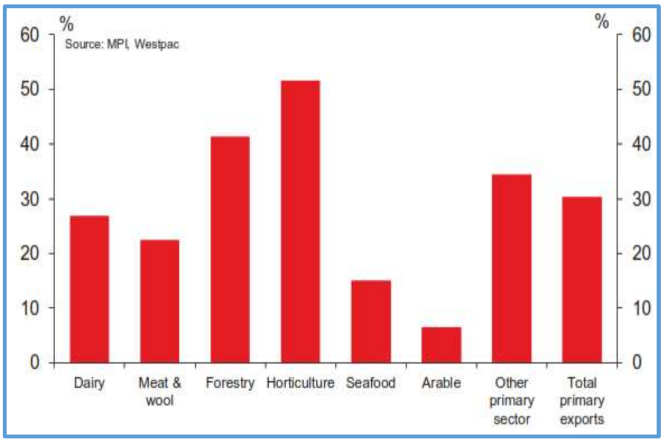
Note: ³ Other primary sector exports & foods include: live animals, honey, and processed foods such as chocolate and tomato sauce.

WESTPAC COMODITY PRICE MONITOR

Sector	Trend	Current level*	Next 6 months
Forestry	Expect slower growth in China and the weaker yuan to weigh on export log prices. There have been glimmers of this happening in recent months. Domestic demand for sawn timber remains firm.	High	↘
Wool	Coarse wool prices remain low, especially compared to finer grades of wool. While Westpac doesn't anticipate further deterioration, any improvement in prices is likely to be only gradual.	Average	→
Dairy	Strong growth in New Zealand milk production has weighed on prices. Looking ahead, Westpac expects slower growth in milk production in other regions will see prices stabilise around current levels before gradually grinding higher in 2019.	Average	→
Lamb	Prices have remained well supported in the face of increased supply out of Australia. However, slower growth in China is expected to lead to some moderation in international prices going forward.	High	↘
Beef	International prices have fallen on the back of a lift in domestic supply in the US. Westpac thinks prices are likely to ease further in the months ahead.	Above Average	↘
Horticulture	Some moderation in prices from high levels expected. This should be at least partly offset by further improvements in productivity.	High	↘

*NZ dollar prices adjusted for inflation, deviation from 10 year average.

GROWTH IN AGRICULTURAL EXPORTS 2013-2018



As expected, commodity prices have continued their gradual retreat in recent months. Demand has cooled as China's economy has slowed, and for some commodities global supply has increased. The risk of being caught in the crossfire of an escalating trade war between the US and China remains. But there has also been good news. New Zealand exporters will soon be reaping the benefits of the much-debated Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

FONTERRA

Fonterra cut its forecast payout by 25 cents per kg to a range of $6.00 to $6.30 because of weak global milk supply. It also confirmed Tip Top was up for sale and it had agreed with Beingmate to take back full ownership of its Darnum plant in Australia.

Fonterra expects to collect 1,550m kgMS in the current season, 3% more than last season. As a result of the drop in the forecast milk price, the payout will now be between $9bn and $9.8bn.

FONTERRA - The Fonterra Shareholders' Council will hold a second election for the remaining vacancy on the board in December. The council decided the vote will be between the unsuccessful candidates nominated who wanted to re-stand, being self-nominated candidate John Nicholls and board-backed Jamie Tuuta. Voting will open on Dec 3rd and close on Dec 20th.

BROWN MARMORATED STINK BUG THREAT

A ship bound for New Zealand has been stopped in Australia after it was found to be carrying stink bugs.

Brown marmorated stink bugs represent a critical threat to New Zealand's horticultural industry. An NZIER report published this February estimate a stink bug incursion would wipe up to $3.6bn from New Zealand's GDP by 2038.

Horticulture would be devastated. Stink bugs are considered such a serious threat to New Zealand, the Government has given approval to introduce a species of wasp (the samurai wasp) to control the stink bug population in the event of an outbreak here. That, in itself, could have 'unintended' consequences.

Native to South East Asia where populations are kept in check by natural predators, stink bugs have since spread throughout much of the world. Invasions in Italy and the United States have caused massive biosecurity responses.

The bug's main way of getting to New Zealand is by hiding in the lining of used vehicles. Biosecurity New Zealand has been getting tough. A spokesperson said it was gearing up for the "risk season" which runs from September to April, when stink bugs from the northern hemisphere are most likely to crawl into New Zealand-bound cargo. MPI turned away four ships from New Zealand last season and intercepted more than 2,500 stinkbugs.

If you look at what happened in America when it arrived in the 1990s, some of the cropping states on the East Coast of America lost 90% of their production. But the threat doesn't only come from declining production. An incursion would require a massive pesticide response that could make it impossible for New Zealand fruit growers to export their produce to some of our most lucrative trading partners. America went from spraying really harsh pesticides twice a year to twice a week, and even doing that they still lost 30% of their production.

STOP PRESS – *LET'S GET BEHIND A STADIUM FOR TAURANGA*

The nay-sayers will condemn this initiative as frivolous, and unaffordable, but I have always been a strong advocate for a sports stadium in downtown Tauranga.

Those who question the lack of parking need to look at some of the great stadiums internationally – Cardiff Arms Park in Wales is a great example… no parking. We just need to encourage park 'n ride and public transport.

CARDIFF STADIUM
without substantive parking provision

The key to gaining economic benefit for our city is to having attendees utilising our downtown facilities before and after games/events (as happens in Cardiff). This will be a win-win for our city.

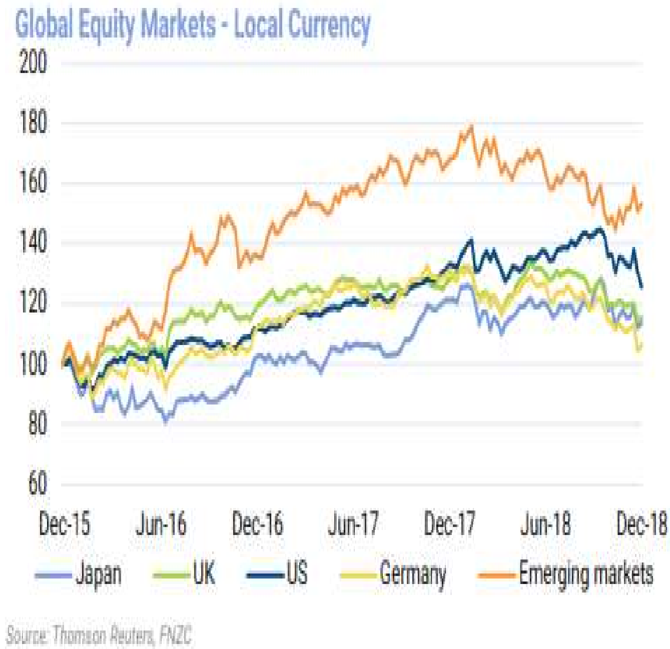
And no – it doesn't have to be huge. It can fit on our current Domain site (you might just have to relocate the athletics track), and we need to be innovative. Ensure that the stadium allows for multi-use (maybe even with apartments backing on to it to help with affordability.

Come on, Tauranga – we can do this. Let's make our

CBD a truly vibrant 21st Century city centre.

"Don't worry about failure; you only have to be right once"
Drew Houston, founder and CEO of Dropbox

FINANCIAL MARKETS – THE LAST 3 YEARS AS AT 15TH DECEMBER 2018



NEW ZEALAND HAS OUTPERFORMED GLOBAL MARKETS

2005 - 2018

"I was 5 years old when the stock market crashed. I lost everything."

Dick Van Dyke

NEW ZEALAND EQUITIES

OVERVIEW

I remain in a cautionary mode when considering investments. My thoughts would be to use these uncertain times to re-evaluate your portfolio, and adjust by concentrating on quality stocks. Remaining a long-term investor is the best way to grow wealth over time, so don't panic out of the market. Trying to time the market never seems to work, so stay invested - but adjust, focusing towards quality stocks.

The A2 MILK COMPANY (ATM.NZ)

CURRENT PRICE: $10.75 **FNZC TARGET PRICE:** $12.25
RECOMMENDATION: OUTPERFORM

The primary driver of ATM's share price is infant formula sales into China, which made up circa 70% of 2018 sales. Momentum remains strong with ATM growing its market share to 5.6% in September (June: 5.1%), helped by expanding its distribution agreements with mother and baby stores (MBS) to 12,000 stores (June: 10,000). Balancing this positive outlook, is the risk relating to China's recently passed cross-border e-Commerce laws, which might adversely impact the daigou (consumer-to-consumer) import distribution channel. FNZC estimates the daigou channel represented more than 50% of ATM's sales in 1H18.

If the volume of infant formula distributed by ATM through the daigou channel reduced by 20%, ATM's valuation would fall by over $2/share. Despite this uncertainty, FNZC believes ATM's outlook is positive reflecting the impact of a new product launch, ramp up of the expanded MBS channel and price increases (+5% in September). Following the 20% share price decline over the past two months, ATM is trading on a FY19 price-to-earnings (PE) ratio of 27x. With 29%pa forecast earnings growth over the next three years, ATM's FY21 PE ratio falls to 18x.

The A2 Milk Company Year to 30 June		2018A	2019F	2020F	2021F
Adjusted	NZ$m	196	270	341	414
Earnings	NZc	27.0	36.9	46.3	55.9
PE Ratio	x	38.3	28.0	22.3	18.5
Cash/Share	NZc	31.9	33.7	44.4	54.0
Dividend/share	NZc	0.0	0.0	20.0	20.0
Imputation	%	0.0	0.0	0.0	0.0
Net Div. Yield	%	0.0	0.0	1.9	1.9
Gross Div. Yld	%	0.0	0.0	1.9	1.9

FNZC REVISIONS TO TARGET PRICE & RATINGS – NOVEMBER 2018

		Target Price (NZ$)			Stock Rating	
Code	Company	Previous	Revised	%ch	Previous	Now
MFT	Mainfreight	22.60	25.50	12.8%	Underperform	Underperform
IFT	Infratil	3.20	3.49	9.1%	Neutral	Neutral
TPW	Trustpower	5.27	5.54	5.1%	Underperform	Underperform
GMT	Goodman Property Trust	1.37	1.43	4.4%	Neutral	Neutral
FPH	Fisher & Paykel Healthcare	12.00	12.50	4.2%	Underperform	Underperform
KPG	Kiwi Property Group	1.39	1.42	2.2%	**Neutral**	**Outperform**
ARG	Argosy Property	1.09	1.11	1.8%	Neutral	Neutral
TLT	Tilt Renewables	2.31	2.35	1.7%	Neutral	Neutral
SPG	Stride Stapled Group	1.90	1.92	1.1%	**Outperform**	**Neutral**
IPL	Investore Property	1.47	1.48	0.7%	Neutral	Neutral
ARV	Arvida Group	1.30	1.30	0.0%	Neutral	Neutral
AUG	Augusta Capital	1.14	1.12	-1.8%	Outperform	Outperform
AFT	AFT Pharmaceuticals	2.86	2.77	-3.1%	**Neutral**	**Outperform**
TRA	Turners Automotive Group	3.29	3.11	-5.5%	Outperform	Outperform
GTK	Gentrack Group	6.30	5.95	-5.6%	Underperform	Underperform
APL	Asset Plus	0.71	0.67	-5.6%	Outperform	Outperform
ZEL	Z Energy	7.15	6.48	-9.4%	**Neutral**	**Outperform**
SAN	Sanford	8.28	7.39	-10.7%	Neutral	Neutral
MPG	Metro Performance Glass	0.82	0.60	-26.8%	**Neutral**	**Outperform**

"In order to succeed, you first have to be willing to experience failure."
Yvan Byeajee

NZ FOCUS LIST	Code	Price 10-Dec-18	Price 8-Oct-18	Target Price	Tgt Gross Return	Performance %	
						Quarter	Year
NZX50 Index	NZX50	8,660	9,147	9,000	3.9%	-4.3%	5.2%
A2 Milk Company	ATM	10.57	10.59	12.25	15.9%	-8.4%	33.0%
Freightways	FRE	6.94	7.76	7.35	12.5%	-5.3%	-3.5%
Kathmandu	KMD	2.66	3.16	3.25	30.5%	-8.4%	20.9%
NZ Refining	NZR	2.27	2.60	2.78	27.4%	-9.3%	-2.8%
Skellerup Holdings	SKL	2.01	2.14	2.16	15.4%	-1.6%	15.6%
Summerset Group	SUM	6.08	7.42	6.99	17.4%	-19.5%	19.9%
Trade Me	TME	6.07	5.09	4.70	-17.6%	23.9%	38.5%

Source: FNZC, IRESS

Focus List Changes

FREIGHTWAYS (FRE) ADDED

FRE has been re-added to the NZ Focus List. FRE recently provided a 1Q19 trading update with revenue growth of 8.3% versus 1Q18 due to a higher average fuel surcharge, improved underlying price increases and solid volume growth within the Express Package division. However, EBITDA only increased 2.5% with investment in operating capacity and contract driver wage structures limiting underlying margin expansion in the Express Package division. With margin growth in the Express Package division lacking in recent years, FRE is looking to implement a pricing strategy that we expect to include a residential surcharge for Business-to-Consumer (B2C) deliveries. FNZC believes this could result in the B2C based price per unit increasing +20%. This would offset the cost differential between Business-to-Business (B2B) and B2C (average cost in B2C is $1.50 more due to lower drop density). We now forecast an effective surcharge of $0.65 per B2C delivery which equates to an additional EBITDA contribution of $7.8 million in FY20. The precise timing of a B2C surcharge will depend on FRE's main competitor NZ Post. It does appear plausible given the recent pricing behaviour within the industry has remained broadly consistent, leading to an improved competitive environment. FNZC believes that the courier industry is motivated to improve the earnings profile of B2C which we estimate to be at best around a breakeven segment. In the absence of a broader macro slowdown, they expect FRE's Express Package margin performance to improve across the balance of FY19. The Information Management division continues to perform well, with stronger than expected revenue growth in 1Q19 but a slightly weaker underlying EBITDA margin of 23.0%. FRE have an aspirational margin target of around 26% that is expected to transpire as the capacity utilisation in Australia matures towards NZ levels over the medium term. The risk to their positive outlook would be a further moderation in consumer confidence which would present negative earnings risk for cyclical stocks including FRE. However, at this stage they continue to see reasonably balanced earnings risk for FRE in FY19 and following recent share price weakness, take the opportunity to add FRE to the Focus List.

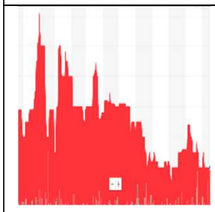
MICHAEL HILL (MHJ) REMOVED

MHJ has been removed from the NZ Focus List. While MHJ currently appears to offer very good value the quantitative screen has deteriorated significantly due to a material decline in both earnings and share price momentum. MHJ announced a very weak trading update for 1Q19. The significant deterioration in same-store sales growth in the quarter (Australia -12.8%, NZ -7.6% and Canada -11.0%) was driven by the company's shift from a reliance on discount-based pricing. Management noted that this shift was not adequately supported by sufficient levels of marketing and promotional activities to drive top-line sales. Given the scale of deterioration in the quarter, FNZC no longer has confidence in the current management team's ability to successfully execute a repositioning of the business. Furthermore, the drawn-out appointment of Daniel Bracken as MHJ's new Chief Executive Officer from 15 November 2018, does not fill them with confidence going into the crucial 2Q19 Christmas trading period, which typically produces 70-75% of MHJ's full-year earnings (EBIT). Hence, despite the significant fall in the share price and MHJ consequently appearing attractive on a valuation multiple basis relative to the broader NZ equity market, FNZC don't expect a material recovery in profit or share price in the near term. Since MHJ was added to the NZ Focus List on 30 November 2017, it has returned -47.1%, under-performing the S&P/NZX50 Gross index by 52.8%.

NZ FOCUS LIST	Code	Date added	Price when added	NZX50 when added	Return since added	Index Return since	+/_ Performance
A2 Milk Company	ATM	22-Dec-16	2.14	6,852	393.9%	26.4%	367.5%
Freightways	FRE	10-Dec-18	6.94	8,660	0.0%	0.0%	0.0%
Kathmandu	KMD	04-Jan-18	2.40	8,444	17..1%	2.6%	14.5%
NZ Refining	NZR	08-Oct-18	2.60	9,147	-12.7%	-5.3%	-7.4%
Skellerup Holdings	SKL	17-Apr-18	1.78	8,345	16.9%	3.8%	13.1%
Summerset Group	SUM	04-Sep-18	7.70	9,292	-21.0%	-6.8%	-14.2%
Trade Me	TME	09-Jul-18	4.72	9,062	35.5%	-4.4%	39.9%

	Code	PE Ratio		EV/EBITDA		Net Div Yield		Gross Div Yield		Return on Equity
		F Y0	F Y1	F Y0	F Y1	F Y0	F Y1	F Y0	F Y1	
NZX50 Index	NZX50	20.1	18.6	11.3	10.9	4.2%	4.5%	5.9%	5.9%	
A2 Milk Company	ATM	28.6	22.7	19.2	15.2	0.0%	1.9%	1.9%	1.9%	32.7%
Freightways	FR E	17.4	15.4	10.8	9.8	4.7%	5.4%	7.5%	7.5%	22.8%
Kathmandu	K MD	10	9.4	6.3	6	6.0%	6.8%	9.4%	9.4%	13.2%
NZ Refining	NZR	21.3	10.2	5.3	4	3.5%	10.9%	15.1%	15.1%	4.3%
Skellerup Holdings	S K L	13	12.1	8.3	7.8	6.4%	6.9%	8.5%	8.5%	16.8%
Summerset Group	S UM	13.7	11.9	66.1	53.8	2.5%	2.9%	2.9%	2.9%	10.6%
Trade Me	TME	23.6	22	14.2	13.3	3.6%	3.9%	5.4%	5.4%	15.1%

I HAVE ONLY UPDATED STOCKS WHERE FNZC HAS UPDATED INFORMATION



AFT Pharmaceuticals

AFT is a NZ pharmaceutical company with a number of proprietary and licensed products that it is seeking to out-license in international markets. While AFT has yet to commercialise all its products FNZC believes it has a good portfolio with material upside if successful. AFT is getting closer to delivering stronger evidence that it can execute on its international strategy, which should deliver a material lift in earnings over the next few years. In addition, FNZC notes there remains the potential for additional growth if it can commercialise key products Pascomer and NasoSURF.

20019 P/E: n.m 2020 P/E: n.m

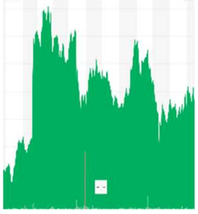
NZX Code:	**AFT**
Share Price:	**$2.20**
12mth Target:	**$2.77**
Projected return (%)	
Capital gain	25.9%
Dividend yield (Net)	0.0%
Total return	**25.9%**
Rating: OUTPERFORM	
52-week price range: 2.15-2.71	

Asset Plus

Net rental income of NZ$4.8m was lower YoY reflecting divestments over the period. Net operating income after tax was NZ$2.7m, while AFFO was NZ$2.8m. No FY19 guidance was provided, but disclosure continues to improve. APL disclosed its lease expiry profile for the first time, highlighting 20% of contract rent expiring in 2H19, 13% in FY20, and 8.0% in FY21. Whilst 2H19 expiries are elevated, ~50% of this is a major lease at Eastgate (assume Countdown) which is expected to be renewed shortly. Occupancy remains stable at ~97%, while the WALT lifted to 5.0 years (from 4.4 years), primarily reflecting the sale of the AA Centre.

20019 P/E: 18.2 2020 P/E: 18.7

NZX Code:	**APL**
Share Price:	**$0.58**
12mth Target:	**$0.67**
Projected return (%)	
Capital gain	17.5%
Dividend yield (Net)	6.1%
Total return	**23.6%**
Rating: OUTPERFORM	
52-wk price range: 0.57-0.63	



The a2 Milk Company

ATM's AGM highlighted a solid start to the year with revenue for the four months to October up 40.5% to $368m and EBITDA up 58.5% to $124m. This has been driven by steady A/NZ market share and progress in China infant formula (September Kantar share 5.6%, 4M China label growth >75%). ATM also reaffirmed FY expectations, including further colour on revenue growth: (1) *"strong revenue growth to continue but at a slightly more moderate rate than in the first four months*"; and (2) EBITDA margin broadly consistent with FY18 (30.7%)

20019 P/E: 28.0 2020 P/E: 22.3

NZX Code:	**ATM**
Share Price:	**$10.75**
12mth Target:	**$12.25**
Projected return (%)	
Capital gain	14.0%
Dividend yield (Net)	0.8%
Total return	**14.8%**
Rating: OUTPERFORM	
52-wk price range: 7.66-14.62	

Comvita

CVT expressed confidence in growth in sales and profit in FY19, driven by a revised strategy which focuses on the core sales. Albeit with anticipated profit growth having limited read-through given the adverse impact of a lower honey harvest on FY18 earnings. CVT outlined lower fixed overheads as a key source of confidence (FY19+). While it is pleasing to see further cost-out opportunities identified, FNZC would prefer to see confidence derived from the top-line outlook. CVT note 1H19 grey channel sales have been negatively impacted by price negotiations but are up on last year (albeit on a weak pcp). Following a sell-in phase (1H18), North America sales continue to be slow. CVT share price has now reduced to align with FNZC's 12-month target price.

20019 P/E: 16.2 2020 P/E: 14.4

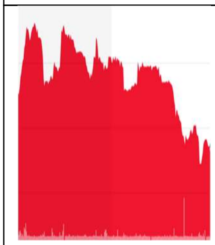
NZX Code:	**CVT**
Share Price:	**$5.28**
12mth Target:	**$5.37**
Projected return (%)	
Capital gain	1.7%
Dividend yield (Net)	2.7%
Total return	**4.5%**
Rating: NEUTRAL	
52-week price range: 5.28-9.21	

Ebos Group

EBO is financially robust, with ample cash on hand and short-term investments to meet upcoming liabilities. This suggests prudent control over cash and cost by management, which is an important determinant of the company's health. EBO appears to have made good use of debt, producing operating cash levels of 0.28x total debt in the prior year. This is a strong indication that debt is reasonably met with cash generated. To maintain historical earnings growth levels, EBO will have to make larger acquisitions to have an impact on earnings which may prove challenging. EBO appears fully valued but not expensive. The CWG supply contract is expected to produce close to 20% earnings growth, which should improve EBO's relative valuation.

2019 P/E: 20.4 2020 P/E: 17.4

NZX Code:	**EBO**
Share Price:	**$20.70**
12mth Target:	**$20.05**
Projected return (%)	
Capital gain	-3.1%
Dividend yield (Net)	3.6%
Total return	**0.54%**
Rating: NEUTRAL	
52-wk price range: 17.10 -23.00	



EROAD

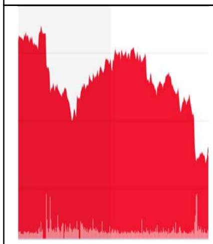
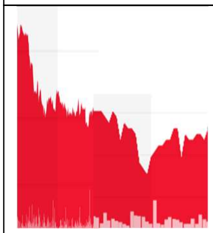
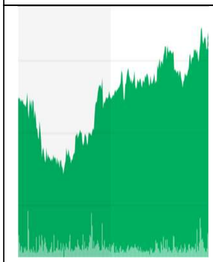
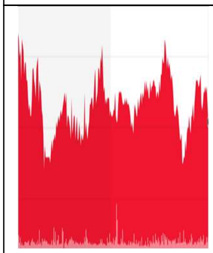
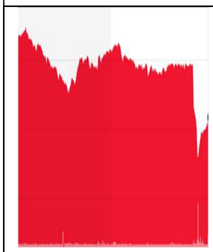
ERD's NZ operation has a strong market position and is delivering earnings growth. The US operation is now operating cash flow self-funding and expected to move to EBITDA breakeven during 2H19. Key to ERD's share price performance will be whether it can lift unit sales rates in North America and potentially grow in Australia. FNZC values ERD at NZ$3.30 per share with our assessed value for the ANZ operation, with a heavy allocation of corporate costs, of NZ$2.20 per share and the US at NZ$1.10.

20019 P/E: (44.4) 2020 P/E: 48.1

NZX Code:	**ERD**
Share Price:	**$2.68**
12mth Target:	**$3.30**
Projected return (%)	
Capital gain	23.1%
Dividend yield (Net)	0.0%
Total return	**23.1%**
Rating: OUTPERFORM	
52-wk price range: 2.50-3.99	

"We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful."

Warren Buffett

	**Fisher & Paykel Healthcare** FPH is operating at scale and still executes well in attractive markets, illustrated by success in Hospital, yet at the same time challenges with Homecare masks highlight the need for a balanced approach to group valuation. Following the recent weakness, FPH is now trading below fundamental value, opening up another buying opportunity as compensation for the risks (mask launches/rebound, IV consumable growth, flu season, litigation). 2019 P/E: 36.0 2020 P/E: 30.6	**NZX Code:** **FPH** **Share Price:** **$11.85** **12mth Target:** **$12.50** **Projected return (%)** Capital gain 5.5% Dividend yield (Net) 2.1% **Total return** **7.6%** **Rating: NEUTRAL** 52-week price range: 11.85-16.44
	**Fletcher Building** With FY19 guidance of $630m–$680m, the prospect of FBU sustaining flat earnings on a gradually softening core NZ business offset by a turnaround in the Aust. business is at risk of being derailed early. FBU signalled it expected Aust. residential weakness in FY19 but the strength of the deterioration (FBU views as a medium-term trend with some distance to run) is a key driver of a $5m–$55m downgrade in earnings. FBU is positioning this guidance as conservative on Aust. cycle (FY18 Australia EBIT $114m) but the company has also highlighted margin pressures in Australia. On a positive note, FBU just announced the sale of its Formica unit for $1.2bn, in line with analysts' expectations, and said it will resume paying dividends. 2019 P/E: 11.8 2020 P/E: 11.3	**NZX Code:** **FBU** **Share Price:** **$4.84** **12mth Target:** **$5.43** **Projected return (%)** Capital gain 12.2% Dividend yield (Net) 6.2% **Total return** **18.4%** **Rating: NEUTRAL** 52-week price range: 5.54-7.62
	**Heartland Group Holdings – Note change in code** FNZC believes HGH's medium-term growth outlook remains positive but with a note of caution. After several strong years of car sales growth, 2018 activity appears relatively flat. This may put extra pressure on other parts of HGH's operations, in particular Business and digital, to provide growth. FNZC expects the reverse mortgage business to continue to be a key driver of earnings growth and return. 2019 P/E: 11.4 2020 P/E: 11.0	**NZX Code:** **HGH** **Share Price:** **$1.52** **12mth Target:** **$1.61** **Projected return (%)** Capital gain 15.0% Dividend yield (Net) 6.4% **Total return** **21.4 %** **Rating: NEUTRAL** 52-week price range: 1.50-2.14
	**Infratil** IFT is a diversified investment holding company with a portfolio of largely infrastructure assets. This makes it a relatively lower risk company. IFT's investments in Trustpower, Tilt Renewables (TLT) and Wellington Airport currently provide two-thirds of IFT's cash flow, which broadly covers its dividend. The organic growth options within the portfolio are: TLT, Canberra Data Centres (CDC) and Retire Australia which all have the potential to drive up IFT's share price. IFT has said it will "tighten" its portfolio by divesting investments with insufficient growth prospects. Consequently, both NZ Bus and Perth Energy may be sold (their sale isn't expected to materially impact IFT's share price). NTA sits at $3.60 per share. 2019 P/E: 17.6 2020 P/E: 15.8	**NZX Code:** **IFT** **Share Price:** **$3.57** **12mth Target:** **$3.49** **Projected return (%)** Capital gain -2.2% Dividend yield (Net) 5.1% **Total return** **2.9 %** **Rating: NEUTRAL** 52-week price range: 3.02-3.69
	**Kiwi Property Group** KPG outlined a strategy focused on establishing mixed-use real estate precincts that incorporate a combination of retail, office, hotel, health and wellness, and residential property in a single location. Within the existing portfolio, mixed-use opportunities are present at Sylvia Park, The Base, LynnMall, and Drury. In FNZC's view, establishing a mix of property types at specific locations will support the retail offering, while also increasing site appeal to retailers. They consider this a sensible response to a retail environment that remains under pressure from online offerings. 2019 P/E: 19.7 2020 P/E: 19.2	**NZX Code:** **KPG** **Share Price:** **$1.34** **12mth Target:** **$1.42** **Projected return (%)** Capital gain 6.0% Dividend yield (Net) 5.2% **Total return** **11.2%** **Rating: OUTPERFORM** 52-week price range: 1.30-1.43
	**Metlifecare** Arguably MET falls in 'no-mans' land—missing the yield characteristics of ARV and OCA or the more immediate growth outlook of RYM and SUM—MET's unit pricing outlook provides limited nearer-term upside; development is still some time from really ramping up against a large asset base. Notwithstanding that MET remains FNZC's sector preference with the most compelling valuation upside on a relatively undemanding assumption set. 2019 P/E: 4.8 2020 P/E: 5.0	**NZX Code:** **MET** **Share Price:** **$5.30** **12mth Target:** **$7.65** **Projected return (%)** Capital gain 44.3% Dividend yield (Net) 2.0% **Total return** **46.3%** **Rating: OUTPERFORM** 52-week price range: 5.20-6.51
	**Metro Performance Glass** The low barriers to entry in glass processing and the crystallisation of this concern means there seems little basis on which to assume MPG can sustain a return on invested capital above its WACC in the long term. FNZC has scaled back their forecasts for market share loss (~NZ$25m revenue impact over FY21/22) with forecasts now factoring in long-term returns in line with WACC. To mitigate the impacts of new competition, MPG will need to continue to focus on improving its service levels, and indications on the size of investment the new entrant is making suggest that MPG will need to be a beneficiary of rationalisation elsewhere in the industry for it to avoid greater market share losses. 2019 P/E: 4.8 2020 P/E: 5.0	**NZX Code:** **MPG** **Share Price:** **$0.59** **12mth Target:** **$0.60** **Projected return (%)** Capital gain 1.7% Dividend yield (Net) 0.0% **Total return** **1.7%** **Rating: NEUTRAL** 52-week price range: 0.37-1.03

NZME

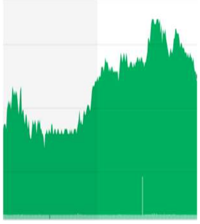
NZM's recent earnings guidance (FY18 EBITDA $52-$56 m) and the decision to suspend the dividend have driven a de-rate in NZM's share price. FNZC thinks NZM would benefit from providing investors with markers on key issues in the business like the runway on cost out; investment and targets for digital classifieds; how it is approaching the opportunity and risk on pay-gate implementation; profitability in Print and the issues it will ultimately navigate across circulation and titles rationalisation in the future FNZC doesn't think NZM can be silent on Radio underperformance any longer.

2019 P/E: 6.2 2020 P/E: 6.8

NZX Code:	**NZM**
Share Price:	**$0.51**
12mth Target:	**$0.46**
Projected return (%)	
Capital gain	-9.8%
Dividend yield (Net)	0.4%
Total return	**-9.4%**

Rating: UNDERPERFORM

52-week price range: 0.48-0.91



Oceania Healthcare

OCA has a higher proportion of earnings derived from the aged care business relative to retirement village development. The latter is expected to be less attractive in an environment where house price inflation is lower. Unlike the retirement village sector, FNZC doesn't include any value for aged care/retirement village developments ahead of sites being acquired. OCA's gearing is 22% which gives capacity for new developments.

2019 P/E: 6.2 2020 P/E: 6.8

NZX Code:	**OCA**
Share Price:	**$1.10**
12mth Target:	**$1.22**
Projected return (%)	
Capital gain	10.9%
Dividend yield (Net)	0.0%
Total return	**10.9%**

Rating: OUTPERFORM

52-week price range: 0.95-1.23

Pacific Edge

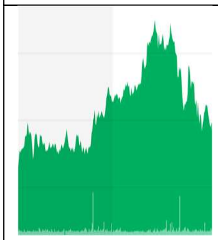
Cancer diagnostics company, PEB announced an improved half year performance and capital raising to assist the company to progress its commercial objectives. The company has completed a placement of $7m of new shares, and will offer all NZ resident shareholders the opportunity to subscribe for additional shares at no greater than the placement price ($0.35) in due course. PEB's 1H19 result included a 43% increase in test sales, a 15% decrease in operating cash outflow and a 13% reduction in the net loss for the period.

2019 P/E: (10.4) 2020 P/E: (13.0)

NZX Code:	**PEB**
Share Price:	**$0.41**
12mth Target:	**$0.50**
Projected return (%)	
Capital gain	22.0%
Dividend yield (Net)	0.0%
Total return	**22.0%**

Rating: OUTPERFORM

52-week price range: 0.19-0.45



Ryman Healthcare

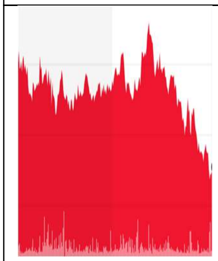
RYM is a quality operator building a large asset base (funded without equity; fully funded from resident debt), as evidenced by its ability to build and attract residents into over 10,000 units and beds. RYM is a high-quality operator and its track record and consistency of results supports qualitative differentiation. FNZC thinks there are legitimate questions on whether RYM's business model delivers better financial outcomes than its peers from business mix and terms that are less commercially favourable. Disclosure will enable greater conviction in RYM's absolute and relative (to peers) valuation.

2019 P/E: 37.5 2020 P/E: 36.1

NZX Code:	**RYM**
Share Price:	**$11.24**
12mth Target:	**$9.13**
Projected return (%)	
Capital gain	-18.8%
Dividend yield (Net)	2.2%
Total return	**-16.6%**

Rating: UNDERPERFORM

52-week price range: 10.05-14.09



SkyCity Entertainment

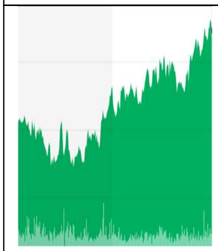
SKC's year-to-date trading update was in-line with expectations, with initiatives introduced in early 2H18 continuing to deliver above trend EGM growth at Auckland in 1H19. SKC also announced the sale of its sub-WACC return Darwin business for A$188m in November, and we see potential for modest value accretion from monetisation of other non-core assets including the Auckland main site car park and hotel portfolio. The NZICC and Adelaide redevelopment projects present medium-term earnings and valuation risk, however we believe current market pricing captures this and we now see modest relative value support.

2019 P/E: 15.6 2020 P/E: 16.3

NZX Code:	**SKC**
Share Price:	**$3.52**
12mth Target:	**$3.85**
Projected return (%)	
Capital gain	6.5%
Dividend yield (Net)	5.4%
Total return	**11.9%**

Rating: NEUTRAL

52-week price range: 3.43-4.36



Spark

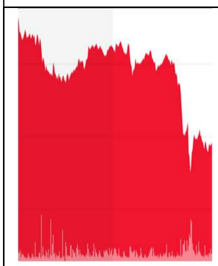
FNZC forecasts SPK's current stable earnings profile to be maintained for at least the short-term with recent cost out initiatives providing a reasonable prospect of earnings growth in FY19-20. However, expect ongoing structural challenges to remain a medium-term risk. Moreover, each result continues to highlight significant ongoing investment to support modest earnings growth, with SPK's net debt increasing $550mn over the most recent 3-year period. With SPK now screening as materially expensive on a relative basis FNZC moves to an underweight position.

2019 P/E: 18.7 2020 P/E: 18.3

NZX Code:	**SPK**
Share Price:	**$4.25**
12mth Target:	**$3.85**
Projected return (%)	
Capital gain	-9.4%
Dividend yield (Net)	5.8%
Total return	**-3.6%**

Rating: NEUTRAL

52-week price range: 3.28-4.30



Z Energy

ZEL is facing a number of headwinds, including ongoing improvements in fuel efficiency, the emergence of electric vehicles, increased competition from independent fuel distributors and uncertainty around the sustainability of ZEL's retail fuel margin given the looming Commerce Commission fuel price review. ZEL was expected to report a soft 1H19 profit due to outage at the Marsden Point oil refinery ($34 million) and the lag in passing through higher oil prices to commercial customers ($10 million). However, the 1.3c/litre drop in fuel margin across both retail and commercial fuel sales resulting from increased competition by independent suppliers was a negative surprise.

2019 P/E: 10.9 2020 P/E: 14.5

NZX Code:	**ZEL**
Share Price:	**$5.80**
12mth Target:	**$6.48**
Projected return (%)	
Capital gain	11.7%
Dividend yield (Net)	7.8%
Total return	**19.5%**

Rating: OUTPERFORM

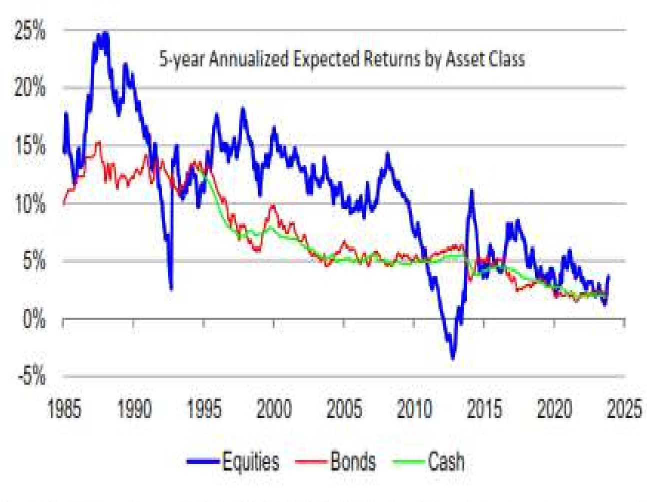
52-week price range: 5.18-8.04

NZ LISTED COMPANIES 14th December 2018	Ticker	Mrkt Cap	Price 14-Dec-18	Target Price	Price Earnings (x)		Net Yield (%)	
Source: First NZ Capital, CSFB		(NZ$m)	(NZ$)	(NZ$)	FY18	FY19	FY18	FY19
COMMUNICATION SERVICES								
Chorus	CNU	2,050	4.70	4.19	23.8	42.2	4.7%	4.9%
NZME Limited	NZM	100	0.51	0.46	6.3	6.9	3.9%	0.0%
Sky Network Television	SKT	802	2.06	2.35	6.7	7.7	7.3%	7.3%
Spark NZ	SPK	7,877	4.29	3.28	18.7	18.3	5.8%	5.8%
CONSUMER DISCRETIONARY								
Kathmandu	KMD	616	2.73	3.25	11.1	10.3	5.5%	5.9%
Michael Hill International	MHJ	242	0.66	0.93	6.5	8.3	8.0%	6.4%
Restaurant Brands NZ	RBD	1,054	8.45	8.85	25.7	24.0	3.3%	2.2%
SKYCITY Entertainment	SKC	2,389	3.5	3.85	14.0	14.3	5.7%	5.7%
The Warehouse Group	WHS	708	2.04	2.05	11.9	8.9	7.80%	8.3%
Tourism Holdings	THL	610	4.93	5.09	16.4	20.0	5.10%	4.3%
Turners Automotive	TRA	213	2.39	3.11	7.4	8.0	6.5%	7.1%
CONSUMER STAPLES								
Comvita	CVT	247	5.40	5.37	38.3	14.4	1.1%	2.9%
Delegat Group	DGL	1,006	9.95	8.70	22.4	19.8	1.5%	1.7%
Green Cross Health	GXH	167	1.17	2.20	8.8	8.1	6.0%	6.0%
New Zealand King Salmon	NZK	299	2.16	2.60	20.7	18.5	2.3%	2.7%
Sanford	SAN	633	6.76	7.39	16.2	14.2	3.4%	3.4%
Scales Corporation	SCL	594	4.25	4.71	16.2	14.3	4.6%	5.2%
Synlait Milk	SML	1,638	9.14	7.65	22.0	18.3	0.0%	0.0%
The a2 Milk Company	ATM	8,120	11.05	12.25	40.9	29.9	0.0%	0.0%
ENERGY								
NZ Refining	NZR	697	2.23	2.78	21.0	10.1	3.6%	11.0%
Z Energy	ZEL	2,304	5.76	6.48	10.9	14.5	5.6%	7.8%
FINANCIALS								
NZX	NZX	272	1.00	1.06	17.1	16.1	6.1%	6.2%
Heartland Group	HGH	859	1.52	1.61	12.2	11.4	5.9%	6.3%
HEALTH CARE SUPPLIERS								
AFT Pharmaceuticals	AFT	209	2.15	2.77	-16.4	n.m.	0.0%	0.0%
Ebos Group Limited	EBO	3,104	20.35	20.05	20.7	19.8	3.4%	3.5%
F&PI Healthcare	FPH	7,079	12.35	12.50	37.0	33.5	1.7%	1.9%
HEALTH CARE PROVIDERS								
Arvida	ARV	530	1.28	1.36	14.4	13.9	3.9%	4.2%
Metlifecare	MET	1,131	5.30	7.37	12.9	13.1	1.9%	2.4%
Oceania Healthcare	OCA	677	1.11	1.18	13.0	13.8	4.2%	4.0%
Ryman Healthcare	RYM	5,700	11.4	9.07	28.0	26.6	1.8%	2.0%
Summerset Group	SUM	1,377	6.11	6.99	13.7	11.9	2.5%	2.9%
INDUSTRIALS								
Methven	MVN	111	1.51	1.3	16.3	13.4	5.3%	6.0%
Metro Perform. Glass	MPG	104	0.56	0.60	5.6	6.7	13.2%	0.0%
Skellerup Holdings	SKL	391	2.01	2.16	14.2	12.9	5.5%	6.5%
LOGISTICS								
Air New Zealand	AIR	3,402	3.03	2.85	8.7	10.9	7.3%	7.3%
Auckland Airport	AIA	8,513	7.05	5.40	32.2	30.6	3.1%	3.2%
Freightways	FRE	1,134	7.30	7.35	19.0	18.3	4.1%	4.5%
Mainfreight	MFT	3,061	30.4	25.5	27.3	22.8	1.5%	1.7%
Port of Tauranga	POT	3,482	5.19	4.00	37.2	34.7	2.5%	2.7%
INFORMATION TECHNOLOGY								
EROAD	ERD	183	2.68	3.30	-54.6	-44.2	0.0%	0.0%
Gentrack Group	GTK	502	5.10	5.95	29.7	25.4	2.7%	3.6%
Vista Group Int	VGL	596	3.60	3.60	35.6	26.6	1.3%	1.9%
MATERIALS								
Fletcher Building	FBU	4,198	4.92	5.43	-61.1	11.5	0.0%	6.1%
Steel & Tube	STU	198	1.19	1.67	13.7	12.7	5.9%	5.9%
REAL ESTATE								
Argosy Property	ARG	968	1.17	1.11	17.7	17.3	5.3%	5.3%
Asset Plus	APL	94	0.58	0.67	16.2	18.0	6.2%	6.2%
Augusta Capital	AUG	93	1.06	1.14	16.0	12.4	5.3%	5.7%
Goodman Property Trust	GMT	2,020	1.56	1.43	19.8	20.0	4.3%	4.3%
Investore Property	IPL	401	1.54	1.48	19.6	18.2	4.8%	4.8%
Kiwi Property Group	KPG	1,944	1.36	1.42	18.7	19.9	5.0%	5.1%
Precinct Properties NZ	PCT	1,732	1.43	1.38	22.6	21.8	4.1%	4.2%
Property for Industry	PFI	878	1.76	1.64	21.0	20.5	4.3%	4.4%
Stride Property Group	SPG	683	1.87	1.92	17.6	18.0	5.3%	5.3%
Vital Healthcare Property	VHP	921	2.07	2.00	19.5	19.9	4.1%	4.2%
UTILITIES								
Contact Energy	CEN	4,143	5.78	6.15	31.8	25.2	5.5%	6.3%
Genesis Energy	GNE	2,581	2.54	2.3	44.5	59.2	6.7%	6.8%
Infratil	IFT	2,013	3.6	3.49	30.9	18.2	4.7%	4.9%
Mercury NZ	MCY	4,877	3.58	3.10	24.6	27.2	4.2%	4.3%
Meridian Energy	MEL	8,560	3.34	2.86	41.5	33.7	5.7%	5.8%
TILT Renewables	TLT	696	2.35	2.16	-251.1	59.4	1.4%	1.2%
TrustPower	TPW	1,937	6.19	5.54	14.4	16.0	5.5%	11.1%
Vector	VCT	3,290	3.29	3.50	21.4	25.0	4.9%	5.0%
MARKET AVERAGE*					**20.2**	**18.9**	**4.20%**	**4.50%**

**PE ratios exclude: AFT, ERD, FBU, PEB, TLT*

AUSTRALIAN EQUITIES

AUSTRALIAN EQUITIES VALUATION



Source: Credit Suisse estimates, the BLOOMBERG PROFESSIONAL™ service, Thomson Reuters Datastream

At 5,660, FNZC believes that the ASX200 is trading towards the top end of its fair value range. Assuming no further deterioration in macro earning drivers, the market is tactically cheap relative to bonds and cash. On a five-year view, equities are priced for 3.7% annualised returns, compared with 2.3% yields on bonds and 1.3%–1.8% expected returns on cash. There is scope for multiple expansion to the tune of 7%–12.3%. The problems are that earnings need to fall another 6% just to be in line with prevailing macro fundamentals and every 1% slowing in credit growth from here shaves 6.5% from earnings forecasts.

The temptation is to ring the bell. For all the pessimism about Australian housing, the reality is that credit and economic growth have held up quite well, despite sharp falls in Sydney and Melbourne house prices. If indeed FNZC is seeing a decoupling, banks and domestic cyclicals would seem to be the most oversold or even cheapest parts of a tactically cheap market.

But FNZC remains cautious for now. Tightening global financial conditions are a concern over and above housing. De-leveraging risks are high, making it hard to call a bottom in EPS. Also, history tells us it is prudent to take active and independent positions across assets and styles. They stick to their view that the global search for safety is likely to evolve, putting them into a very momentum-like portfolio, favouring bond proxies, gold and some USD industrial exposures. Indeed, lower rates and currency are key cogs in the adjustment process and are worth building their portfolio around.

Australian Forecasts 14th December 2018	Ticker	Market Cap	Price 14-Dec-18	Target Price	Price Earnings (x)		Net Yield (%)	
Source: CSFB estimates		(A$m)	(A$)	(A$)	FY18	FY19	FY18	FY19
CONSUMER DISCRETIONARY								
Aristocrat Leisure	ALL	14,572	22.82	30.00	20.0	16.8	2.0%	2.4%
carsales.com.au	CAR	2,813	11.54	15.5	21.4	19.9	3.8%	4.2%
Crown	CWN	8,089	11.89	12.45	21.2	20.3	5.0%	5.0%
Domino's Pizza Enterprises	DMP	3,468	40.54	36.04	26.6	23.8	2.7%	3.0%
Flight Centre	FLT	4,448	44.00	43.67	15.6	15.1	3.8%	3.9%
Harvey Norman	HVN	3,799	3.22	3.96	9.5	10.9	9.3%	5.8%
JB Hi-Fi	JBH	2,562	22.30	21.89	11.1	12.0	5.9%	5.5%
REA Group	REA	9,644	73.22	85.50	34.5	28.1	1.6%	1.9%
Star Entertainment Group	SGR	4,165	4.54	5.15	14.9	15.6	4.5%	4.6%
Tabcorp Holdings	TAH	8,627	4.28	5.05	22.2	23.0	4.9%	4.9%
Wesfarmers	WES	35,467	31.28	34.07	12.2	17.6	7.1%	5.4%
CONSUMER STAPLES								
Coca-Cola Amatil	CCL	6,096	8.42	9.80	15.8	15.1	5.5%	5.5%
Treasury Wine	TWE	10,500	14.61	16.45	28.5	23.2	2.2%	2.8%
Woolworths	WOW	37,296	28.31	29.17	23.0	21.8	3.6%	3.4%
ENERGY								
Caltex Australia	CTX	7,000	26.84	33.07	12.9	12.0	3.9%	5.0%
Oil Search	OSH	7,872	7.20	5.64	17.7	17.5	2.2%	2.2%
Origin Energy	ORG	12,316	7.00	7.50	14.7	10.8	0.0%	3.1%
Santos	STO	8,221	5.50	4.72	11.8	8.7	1.9%	1.9%
Whitehaven Coal	WHC	4,761	4.64	5.50	8.7	6.9	8.6%	10.9%
Woodside Petroleum	WPL	20,933	31.16	31.38	13.5	11.3	5.9%	7.1%

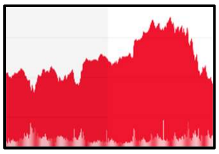
AUSTRALIAN EQUITIES (CONTINUED)

Australian Forecasts 14th December 2018	Ticker	Market Cap	Price 14-Dec-18	Target Price	Price Earnings (x)		Net Yield (%)	
Source: CSFB estimates		(A$m)	(A$)	(A$)	FY18	FY19	FY18	FY19
COMMERCIAL BANKS								
ANZ Banking Group	ANZ	71,122	24.80	30.00	11.6	10.4	6.5%	6.6%
Bank of Queensland	BOQ	3,841	9.56	11.4	10.8	10.7	9.0%	8.1%
Bendigo and Adelaide Bank	BEN	5,035	10.33	11.50	12.4	12.6	6.8%	6.8%
Commonwealth Bank Australi	CBA	121,810	68.81	78.00	13.4	13.0	6.3%	6.3%
National Australia Bank	NAB	64,774	23.69	29.00	11.7	10.4	8.4%	8.4%
Westpac	WBC	85,458	24.88	31.50	10.9	10.8	7.6%	7.6%
FINANCIALS								
AMP	AMP	6,844	2.33	2.65	10.1	12.7	8.2%	6.9%
ASX	ASX	11,449	59.14	55.00	24.6	24.2	3.7%	3.7%
Challenger	CGF	6,039	9.88	12.00	15.4	14.8	3.60%	3.70%
IOOF Holdings	IFL	1,661	4.73	4.60	8.3	7.7	11.4%	11.6%
Janus Henderson Group	JHG	3,100	27.70	22.00	7.0	7.6	7.2%	7.4%
Macquarie Group	MQG	38,525	113.18	135.00	15.4	13.2	4.6%	4.7%
Magellan Financial Group	MFG	4,466	25.22	30.00	16.3	13.6	5.3%	6.5%
Pendal Group	PDL	2,598	8.17	7.40	12.8	13.9	6.4%	6.5%
INSURANCE								
Insurance Australia Group	IAG	16,085	6.96	7.90	18.2	14.5	5.7%	6.4%
Medibank Private	MPL	6,417	2.33	2.70	14.7	14.1	5.5%	5.5%
QBE Insurance Group	QBE	9,668	10.14	9.37	11.6	12.4	5.8%	5.2%
Suncorp Group	SUN	16,907	13.02	14.70	16.5	13.8	6.2%	5.8%
HEALTH CARE								
Ansell	ANN	2,265	23.57	16.68	16.8	17.1	2.7%	2.7%
Cochlear	COH	9,842	170.53	195.00	40.0	35.8	1.8%	2.0%
CSL	CSL	58,556	180.15	166.15	33.9	30.6	1.3%	1.5%
Healthscope	HSO	3,761	2.16	2.08	24.9	22.7	3.1%	3.1%
Ramsay Health Care	RHC	10,999	54.43	47.20	19.5	19.6	2.6%	2.6%
ResMed	RMD	16,217	15.86	11.81	34.9	33.7	1.20%	1.30%
Sonic Healthcare	SHL	9,538	22.38	24.7	20.2	19.2	3.6%	3.7%
INDUSTRIALS								
ALS	ALQ	3,446	7.08	8.00	25.0	19.2	2.4%	3.1%
Brambles	BXB	11,321	9.90	8.15	17.2	18.1	3.0%	3.0%
CIMIC Group	CIM	13,956	43.04	47.5	17.9	17.2	3.40%	3.50%
Cleanaway Waste	CWY	3,604	1.77	2.05	32.9	25.6	1.40%	2.00%
Downer EDI	DOW	3,872	6.51	8.25	15.9	13.2	4.1%	4.6%
Reliance Worldwide	RWC	3,634	4.60	5.60	30.8	21.3	1.4%	1.9%
Seek	SEK	6,096	17.36	19.10	30.9	30.3	2.6%	2.8%
LOGISTICS								
Atlas Arteria	ALX	4,578	6.70	7.50	119.2	33.6	3.6%	4.5%
Aurizon	AZJ	8,836	4.44	4.70	16.5	17.5	6.1%	5.5%
Qantas	QAN	8,983	5.49	7.35	9.8	8.1	3.1%	3.6%
Qube Holdings	QUB	4,110	2.56	2.40	37.6	37.8	2.9%	2.1%
Sydney Airport	SYD	15,561	6.90	6.80	39.3	35.3	5.4%	5.7%
Transurban	TCL	31,766	11.89	11.60	54.4	62.2	4.7%	5.0%
INFORMATION TECHNOLOGY								
Computershare	CPU	6,791	17.43	13.75	19.7	18.1	2.4%	2.7%
Link Administration	LNK	3,635	6.83	8.30	16.6	15.5	3.0%	3.6%
Xero	XRO	5,813	39.16	37.29	-204.3	-487.7	0.0%	0.0%
MATERIALS								
Adelaide Brighton	ABC	2,869	4.41	5.30	15.0	13.4	4.8%	5.0%
Amcor	AMC	11,020	13.26	10.54	15.3	15.3	4.7%	4.8%
Boral	BLD	5,826	4.97	5.80	11.3	11.2	5.3%	5.6%
CSR	CSR	1,357	2.69	2.90	6.4	7.7	10.0%	9.7%
Dulux Group	DLX	2,678	6.88	8.10	17.7	17.5	4.1%	4.1%
Incitec Pivot	IPL	5,624	3.45	4.26	16.6	13.4	3.0%	3.7%
James Hardie Industries	JHX	4,786	15.08	15.38	16.4	15.8	3.7%	3.8%
Orica	ORI	6,334	16.67	19.08	19.3	17.8	3.1%	3.1%
Orora	ORA	3,873	3.21	3.55	18.3	17.7	3.9%	4.2%
MINERALS & OIL								
Alumina	AWC	4,546	2.20	2.24	6.6	8.8	13.1%	13.1%
BHP Group	BHP	117,634	32.40	24.57	13.9	12.0	5.1%	4.3%
BlueScope Steel	BSL	6,391	11.90	18.70	8.2	6.7	1.2%	1.3%
Evolution Mining	EVN	5,583	3.29	2.55	22.3	26.7	2.3%	2.7%
Fortescue Metals Group	FMG	9,200	4.12	3.69	8.5	9.6	6.0%	6.8%
Iluka Resources	ILU	3,151	7.46	11.60	10.5	7.9	2.7%	3.5%
Newcrest Mining	NCM	11,489	20.84	14.65	25.1	22.2	1.2%	1.6%
Northern Star Resources	NST	5,160	8.07	6.10	25.6	16.2	1.2%	1.7%
OZ Minerals	OZL	2,851	8.83	9.00	10.8	15.6	2.3%	2.3%
Rio Tinto	RIO	79,063	74.57	57.09	11.2	12.7	5.1%	4.7%
South 32	S32	11,960	3.28	2.89	9.3	8.8	5.7%	4.5%
REAL ESTATE								
GPT Group	GPT	10,017	5.55	5.34	17.4	16.8	4.6%	4.8%
Lend Lease	LLC	6,552	11.58	16.2	8.5	13.2	6.0%	3.4%
Mirvac Group	MGR	8,423	2.30	2.52	14.7	14.2	4.8%	5.1%
Scentre Group	SCG	21,055	3.96	4.70	15.7	15.1	5.6%	5.7%
Stockland Group	SGP	8,932	3.71	3.76	12.2	11.3	7.1%	7.5%
Vicinity Centres	VCX	10,281	2.68	3.00	14.7	14.1	6.1%	6.0%
UTILITIES								
AGL Energy	AGL	12,789	19.5	17.85	12.5	12.7	6.0%	5.9%
APA Group	APA	10,230	8.67	11.00	37.2	36.9	5.2%	0.0%
AusNet Services	AST	5,729	1.59	1.60	19.6	21.0	5.8%	6.1%
Spark Infrastructure	SKI	3,818	2.27	2.25	36.6	36.0	7.0%	7.3%
MARKET SUMMARY					**18.5**	**17.5**	**4.50%**	**4.60%**

**PE ratios exclude: ALX, XRO, MQA*

GLOBAL EQUITIES

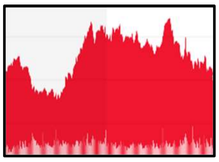
Apple (AAPL.US)



Price: USD 166.07
Target Price: USD 250.00
Rating: Outperform

In contrast to the glamorous hardware business that often attracts media's attention, Apple's revenue from its service business has been growing at a higher annual rate of around 30% in recent quarters. It now accounts for 18% of Apple's total revenue and probably more of its earnings. On top of providing services through Apple's AppStore, iTunes and iCloud, Apple has moved ahead and become the only major smartphone maker that provides a full set of augmented reality programming tools which enable developers to easily harness the capability of Apple's devices. We believe Apple's first mover advantage in this area may help it capture the multiyear growth opportunity. Over time, the high margin service segment should enable Apple to reduce its reliance on the sale of Apple devices and to further boost its profitability.

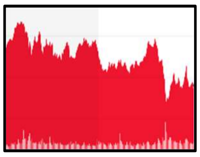
BP (BP.L)



Price: GBP 497.30
Target Price: GBP 675.00
Rating: Outperform

BP is one of the world's top 3 global integrated oil and gas companies. Its crude oil reserves have an above-industry-average lifespan of 14 years at current production and replenishment rates. BP has demonstrated its superior business model by delivering steady production growth and meaningful cost reduction over the years, while simultaneously maintaining its reserve replacement ratio at above 100% most of the time. BP is expected to bring down its cash breakeven oil production to about USD 50 per barrel by the end of 2018 and the management expects a further improvement to USD 35-40 per barrel by 2021. A lower cash breakeven point will ensure that BP remains profitable even if the oil price unexpectedly falls. In addition to an impressive reserve and production profile, the negative impact of the 2010 Gulf of Mexico oil spill is fading. The costs associated with this disaster are expected to decline by about GBP 1 billion per year in the coming years. This should add to the strong earnings growth that BP is already experiencing and thereby making BP an even more attractive energy investment.

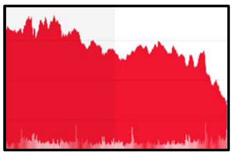
Caterpillar (CAT.US)



Price: USD 124.27
Target Price: USD 183.00
Rating: Outperform

Despite being the largest heavy machinery company in the world, Caterpillar (CAT) has proven itself to be an agile and competitive industry leader. It has achieved this by evolving continuously and adapting rapidly to an ever-changing business environment, while at the same time delivering strong earnings growth. During the first nine months of 2018, CAT grew its revenue and earnings by 24% and more than 100%, respectively. In the last few quarters, CAT has swiftly changed the designs of some of its machines in order to minimize the negative impact of higher steel prices. CAT is expected to deliver 13% earnings growth, half of which may have already been secured through a proposed global price hike for its machines and a reduction in restructuring expenses. At USD 124 per share, CAT trades at an attractive 2019 price-to-earnings ratio of 10x.

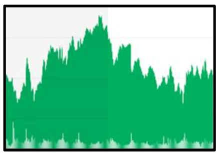
Goldman Sachs (GS.US)



Price: USD 171.50
Target Price: USD 280
Rating: Outperform

Goldman Sachs (GS) is a global investment bank with offices in more than 30 countries. Its competitiveness stems from its ability to efficiently match investors with entities that need capital across financial markets and asset classes. Historically, the economic cycle has a magnified effect on GS' business performance as more investors are willing to invest during an economic boom. Nevertheless, the effect of a slower economy on GS' earnings has diminished and earnings volatility has declined substantially due to tighter regulations and lower derivatives business exposures. With global companies registering strong corporate earnings growth in recent quarters, GS has already started to benefit from a pickup in corporate merger and acquisition, initial public offering and other investment activities. As a result, GS will likely enjoy substantially higher, but less volatile, earnings growth in the near term. At USD 1719/share, GS is trading at a 2019 price-to-book ratio of 1.3x which is attractive when compared to the 2019 forecast return on equity of 13%.

Intel (INTC.US)



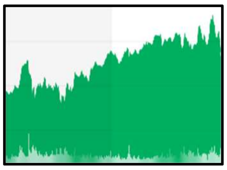
Price: USD 47.74
Target Price: USD 58.00
Rating: Outperform

Intel is the global leader in designing and manufacturing top-quality computer processors. In recent years, Intel has been replacing its declining business in personal computing with higher growth cloud computing and data centre businesses that ride on the proliferation of smartphones and Internet of Things (computer devices embedded in everyday objects such as cars and home appliances that are connected to the internet). As of 1H18, nearly 50% of

Intel's USD 33 billion in revenue was driven by data-centric businesses, which have recorded strong annual growth of around 27%. By 2021, it is estimated that the total addressable market in Intel's data-centric business will reach USD 260 billion as global mobile data traffic increases 7 times between 2016 and 2021 to 49.0 exabytes per month (that is 49 followed by 18 zeroes). We believe Intel's determination to move from personal computing to data-centric businesses will be rewarded in the coming years.

UnitedHealth Group (UNH.US)

Price: USD 252.97
Target Price: USD 310.00
Rating: Outperform



UnitedHealth Group (UNH) is the largest US health insurer and integrated medical services provider with 42 million clients. UNH continued to deliver strong earnings growth as a result of growing membership and rising medical costs in the US. Due to UNH's superior competitive position in the industry, it is in a stronger position to price insurance risk and cherry-pick more profitable business. At a share price of USD 252 per share, UNH trades at a 2019 price-to-book (P/B) ratio of 4.1x. The premium valuation reflects the company's high 2019 forecast return on equity of 24%, its ability to deliver a high level of profitability and steady forecast profit growth. We believe UNH will continue to trade at a premium valuation.

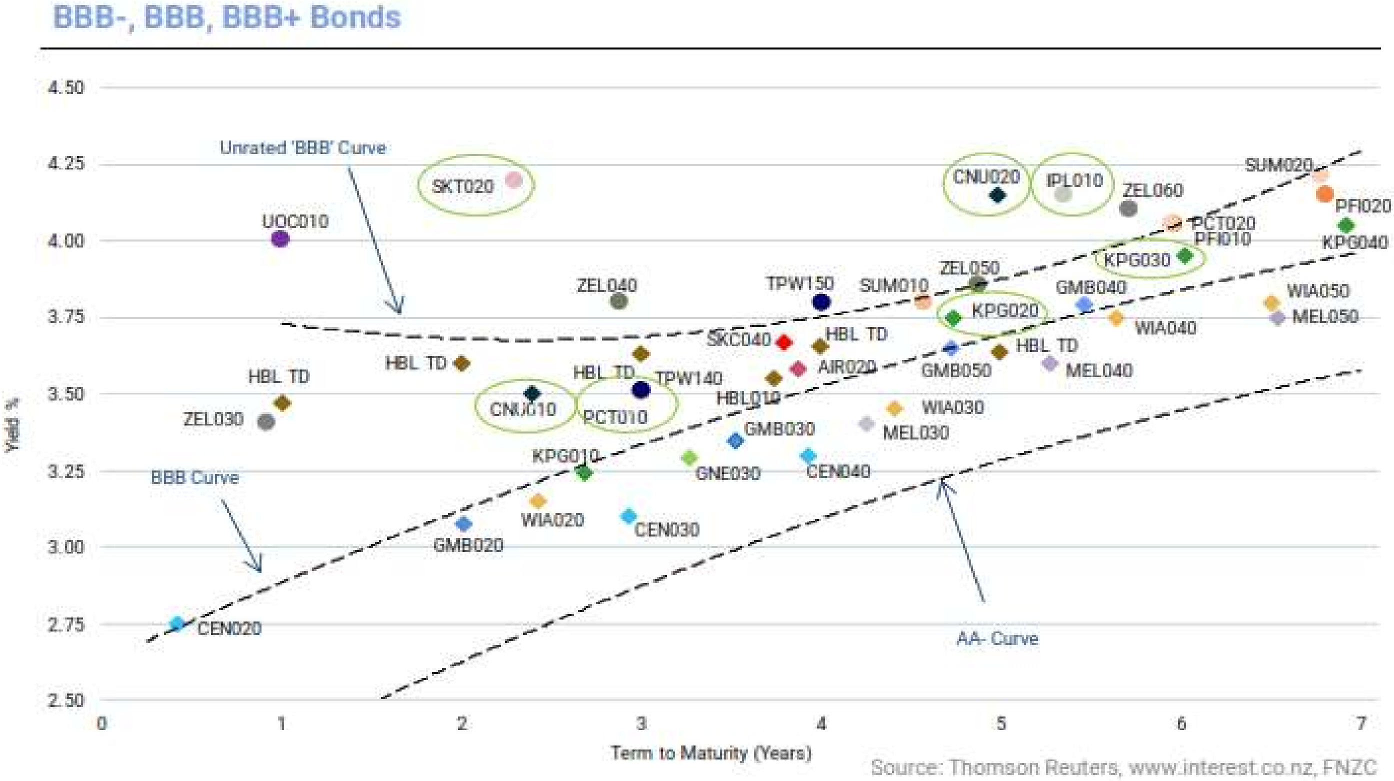
UK INVESTMENT TRUST PERFORMANCE FIGURES SOURCE: FNZC

PRICES AS AT 13TH DECEMBER 2018

Share Price GBP	Net Asset Value	(Discount) Premium	FNZC View *	Investment Trust Company	Market Cap £m	Net Yield %	12 Month % Discount Average	High	Low	1 Yr % NZ$ Price	NAV	3 Yr % PA NZ$ Price	NAV	5 Yr % PA NZ$ Price	NAV
As at close 13 December 2018				**Global Equity**											
718.6	769.4	-6.6%	Hold	Alliance[1]	2,531	1.8	-5.4	-9.4	-4.1	-2.8	-3.1	8.6	4.3	12.3	7.4
815.0	836.9	-2.6%	Buy	Bankers[1]	1,091	2.2	-3.9	-8.5	-0.2	-6.3	-5.6	4.8	3.3	8.2	6.4
696.0	765.1	-9.0%	Hold	British Empire Trust[1]	856	1.6	-10.4	-12.5	-8.6	-4.7	-5.8	9.8	6.1	8.3	5.7
2,825.0	3470.5	-18.6%	Hold	Caledonia Investments[1]	1,468	2.0	-16.0	-21.5	-10.6	0.4	-0.3	2.1	0.4	9.4	6.1
810.0	838.0	-3.3%	Buy	Edinburgh Worldwide[1]	542	0.0	-6.1	-12.7	3.6	10.6	11.7	13.9	11.6	14.2	12.8
1,280.0	1358.3	-5.8%	Hold	F & C Global Smaller	824	1.0	0.8	-2.8	2.1	-5.1	-4.8	4.7	4.1	9.6	8.8
665.0	674.9	-1.5%	Buy	Foreign & Colonial[1]	3,709	1.5	-6.7	-9.1	-4.1	4.3	-1.9	10.0	5.1	13.3	8.6
499.0	504.8	-1.1%	Hold	Independent Investment Trust	424	0.9	-0.5	-10.3	12.3	-20.9	-15.9	7.6	4.4	15.0	11.6
298.0	294.5	1.2%	Buy	JPM Global Growth & Income[1]	412	3.8	-1.2	-6.6	3.3	-4.7	-7.0	9.9	3.7	11.2	7.4
555.6	636.6	-12.7%	Hold	Law Debenture Corp[1]	724	2.9	-8.7	-14.3	-5.0	-7.8	-6.9	0.2	4.2	2.8	5.3
485.0	481.1	0.8%	Buy	Mid Wynd	184	1.0	1.1	-2.2	4.3	-2.6	-0.3	6.3	6.3	11.7	10.2
767.0	755.2	1.6%	Buy	Monks Investment[1]	1,790	0.2	-0.8	-7.2	4.6	-4.0	-1.7	15.4	9.7	14.3	10.0
1,086.0	1110.1	-2.2%	Buy	Murray International[1]	1,486	4.6	1.5	-3.2	4.7	-12.9	-10.8	6.8	2.4	4.0	0.9
39,900.0	39479.0	1.1%	Hold	Personal Assets Trust[1]	878	1.4	0.0	-3.2	2.2	-4.9	-5.4	-0.9	-2.6	4.3	2.3
1,966.0	1849.8	6.3%	Hold	RIT Capital Partners[1]	3,130	1.6	6.2	0.6	11.8	-0.4	-2.4	2.5	-1.4	10.3	4.8
359.0	351.8	2.0%	Hold	Scottish American IT[1]	514	3.0	4.1	-1.9	7.0	0.2	-3.3	8.8	3.7	9.9	5.5
494.5	487.2	1.5%	Buy	Scottish Mortgage[1]	7,192	0.6	2.4	-5.0	5.1	5.3	5.4	14.7	12.9	19.0	17.0
				Benchmark MSCI International						NA	-1.2	NA	7.5	NA	10.3
				European											
613.0	670.2	-8.5%	Hold	Edinburgh Investment Trust[1]	1,356	3.9	-6.1	-10.6	-8.1	-9.4	-11.7	6.2	-8.1	3.4	1.2
387.5	384.2	0.9%	Buy	City of London[1]	1,541	4.2	1.6	-1.2	3.4	-5.8	-10.4	-1.7	-5.9	4.1	0.0
806.0	885.2	-8.9%	N/R	The European Trust[1]	392	2.5	-11.6	-15.9	-7.2	-12.1	-13.9	0.5	-1.0	3.2	0.8
266.3	308.8	-13.8%	Buy	JP Morgan European (Growth)[1]	226	2.3	-9.2	-17.2	-4.6	-17.9	-14.7	-0.2	-0.5	5.0	3.6
345.0	389.0	-11.3%	Buy	JPMorgan European Smaller	662	1.7	-11.0	-16.5	-4.4	-16.9	-11.5	5.1	4.7	9.6	8.9
1,109.0	1215.6	-8.8%	N/R	Henderson European Focus[1]	273	2.4	-0.0	-9.2	2.8	-17.4	-11.5	-0.9	-0.5	6.5	4.9
324.4	341.2	-4.9%	N/R	BlackRock Greater European	305	1.5	-4.4	-7.1	-0.6	-6.0	-3.7	4.5	3.1	6.7	5.3
837.0	936.7	-10.6%	Buy	TR European[1]	550	1.1	-6.5	-15.5	2.8	-30.0	-21.0	7.5	5.8	10.2	8.9
				Benchmark - MSCI European						NA	-9.5	NA	1.9	NA	4.8
As at close 13 December 2018				**Other/ Specialist ITCs**											
1,325.0	1400.7	-5.4%	Buy	North American Income Trust[1]	371	2.8	-8.3	-11.1	-3.9	9.6	1.3	14.8	8.4	12.3	10.1
1,336.0	1784.0	-25.1%	Buy	HarbourVest Private Equity	993	0.0	-15.5	-23.2	-8.9	5.4	13.1	8.9	8.8	15.6	10.6
263.0	259.6	1.3%	Buy	IMPAX Environmental Markets	490	0.9	-10.9	-13.0	-6.5	2.4	-7.7	13.8	7.2	12.6	8.5
991.4	1061.9	-6.6%	Buy	Jupiter US Smaller Companies[1]	176	0.0	-11.9	-17.3	-4.1	18.5	13.5	11.0	9.0	7.6	9.8
427.4	445.8	-4.1%	Buy	JPMorgan American[1]	924	1.2	-4.8	-6.1	-2.3	8.4	5.8	10.6	8.3	13.1	12.7
171.0	180.2	-5.1%	N/R	Jupiter Green[1]	40	0.7	-5.3	-7.9	-2.5	-11.7	-7.9	1.7	1.4	3.6	4.4
333.5	385.2	-13.4%	Hold	BlackRock World Mining	718	4.6	-12.0	-17.4	-8.0	-12.3	-12.1	17.5	13.7	-2.0	-6.2
1,174.0	1245.3	-5.7%	Buy	Polar Capital Technology[1]	1,643	0.0	0.0	-7.0	3.2	-4.0	6.2	14.8	17.1	18.1	19.9
371.5	386.0	-3.8%	Buy	TR Property Trust[1]	1,295	2.9	-7.8	-15.4	1.7	0.3	-2.3	4.9	0.2	12.8	9.3
2,620.0	2593.0	1.0%	Buy	Worldwide Healthcare Trust[1]	1,292	0.6	-0.2	-5.7	2.1	3.6	2.9	6.6	2.5	15.7	14.2
				Benchmark - NZSX 50 Index						NA	7.8	NA	13.1	NA	13.0
				Benchmark - Index MSCI USA						NA	5.5	NA	10.5	NA	14.9
As at close 13 December 2018				**Asia/Pacific Funds (incl. Japan)**											
760.0	734.8	3.4%	Buy	Baillie Gifford Japan[1]	763	0	4.3	-2.1	10.5	-10.8	-5.2	10.3	9.6	14.4	14.7
301.0	350.3	-14.1%	N/R	Witan Pacific	214	1.8	-13.5	-18.7	-10.6	-12.0	-10.7	4.4	3.1	5.8	4.9
403.0	445.0	-9.4%	Buy	JP Morgan Japan	727	1.1	-11.4	-15.5	-7.2	-6.7	-7.1	6.5	5.0	10.6	9.9
344.0	330.6	4.1%	Buy	Henderson Far East Income	455	5.7	1.4	-1.6	4.7	-17.4	-13.0	-14.2	-1.2	17.4	-0.6
201.0	209.9	-4.2%	Buy	Schroder Japan Growth Fund	273	0.9	-7.8	-11.4	-3.5	-9.6	-9.7	3.3	1.9	10.1	8.2
				Benchmark- MSCI Far East incl. Japan						NA	NA	-9.3	NA	7.6	NA
				Global Emerging Markets											
645.0	734.4	-12.2%	N/R	Genesis Emerging Markets	943	1.5	-12.8	-14.5	-11.1	-9.5	-11.7	5.3	4.9	3.1	4.0
849.0	939.4	-9.6%	Buy	JP Morgan Emerging Markets	1,058	1.3	-12.8	-14.9	-10.7	-3.5	-5.4	8.4	7.2	7.8	7.2
693.3	776.4	-10.7%	Buy	Templeton Emerging Markets	1,971	2.2	-12.8	-14.4	-9.8	-13.4	-14.9	12.4	10.4	5.2	3.9
				Benchmark -MSCI Emerging						NA	-9.4	NA	8.2	NA	5.7
				Latin American Emerging											
423.0	502.8	-15.9%	N/R	BlackRock Latin American[1]	173	2.8	-13.3	-17.0	-8.0	20.1	-4.4	17.2	8.3	6.5	-0.8
				Benchmark -MSCI Latin						NA	-2.0	NA	12.2	NA	1.6
				Far East Exc Japan											
221.0	251.6	-12.2%	Hold	Aberdeen New Dawn[1]	272	1.9	-13.0	-15.3	-10.7	-10.2	-10.2	7.3	6.3	5.3	4.3
366.0	402.7	-9.1%	Buy	Edinburgh Dragon[1]	720	0.9	-12.3	-13.7	-10.5	-9.4	-8.4	-7.1	6.6	3.4	5.7
201.0	223.9	-10.2%	Buy	Fidelity China Special Situations	1,420	1.7	-13.2	-17.1	-9.2	-18.7	-19.3	7.2	4.7	13.0	12.9
670.0	774.2	-13.5%	N/R	JP Morgan India[1]	705	0.0	-11.0	-16.9	-8.6	-11.0	-10.1	4.3	4.9	14.2	13.9
308.0	300.2	2.6%	N/R	Pacific Horizon[1]	206	0.0	-9.9	-14.4	-6.1	-9.9	-17.4	13.3	8.1	11.4	8.5
411.0	455.1	-9.7%	Buy	Schroder AsiaPacific	774	1.2	-11.4	-13.8	-8.6	-8.7	-14.4	15.1	7.9	12.9	9.4
339.7	322.7	5.3%	Buy	Schroder Asian Total Return[1]	327	1.3	-2.1	-6.1	4.7	-13.8	-11.0	9.4	8.7	10.5	10.1
238.0	232.8	2.2%	Hold	Schroder Oriental Income[1]	657	3.9	-1.0	-5.9	2.9	-7.5	-11.3	4.8	1.5	7.9	4.1
				Benchmark -MSCI Emerging						NA	-9.1	NA	7.8	NA	7.4
				European Emerging Market											
690.1	795.3	-13.2%	Hold	Baring Emerging Europe	97	5.0	-12.2	-17.4	-8.8	-12.2	-10.6	7.6	5.5	0.3	-2.0
				Benchmark - MSCI Emerging						NA	-4.6	NA	7.7	NA	-0.6

NZ DAILY FIXED INTEREST YIELD GRAPH

YIELDS AS AT 10TH DECEMBER 2018



Current Picks: SKT020, CNU010, PCT010, KPG020, KPG030, CNU020 and IPL010

Remember, in times of uncertainty – seek quality over yield

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